

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)	
to open a docket to implement the provisions of)	
Section 6w of 2016 PA 341 for)	
DTE ELECTRIC COMPANY'S)	Case No. U-18248
service territory.)	
_____)	

At the November 21, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER

History of Proceedings

On January 20, 2017, the Commission commenced this proceeding for implementation of Section 6w of 2016 PA 341 (Act 341), MCL 460.6w, for DTE Electric Company (DTE Electric) and set a schedule for related filings. As a result of rulings by the Federal Energy Regulatory Agency (FERC),¹ the Commission issued an order on February 28, 2017, suspending that schedule

¹ On February 2, 2017, FERC issued an order (February 2 order) rejecting the Midcontinent Independent System Operator, Inc.'s (MISO) Competitive Retail Solution (CRS) tariff filing in Docket No. ER17-284-000. The FERC determined that the Forward Resource Auction proposed by MISO, which would apply to a small amount of load within MISO and would occur more than three years prior to MISO's existing Planning Resource Auction (PRA), would bifurcate the MISO capacity market and have potential adverse impacts on price. February 2, 2017 order, Docket No. ER17-284-000, p. 2. The FERC did not expressly comment on the Prevailing State Compensation Mechanism (PSCM) proposal that was set forth in MISO's CRS filing, however, the Commission understood that the PSCM was also rejected in the February 2 order, and concluded that further efforts to implement Section 6w(1) of Act 341 were no longer appropriate. Thus, the Commission

and seeking comments on the proposed scope and schedule for this proceeding. Concluding that it must shift its focus from Section 6w(1) to 6w(8), on March 10, 2017, the Commission issued a scheduling order directing DTE Electric to, by April 11, 2017, file an application to implement a state reliability mechanism (SRM), and setting dates for intervention and a prehearing conference.

On April 11, 2017, DTE Electric filed its application, along with supporting testimony and exhibits, for an SRM capacity charge under Section 6w of Act 341.

On April 25, 2017, Administrative Law Judge Mark D. Eyster (ALJ) held a prehearing conference, at which intervenor status was granted to the Association of Businesses Advocating Tariff Equity (ABATE), the Residential Customer Group, Sierra Club, Wal-Mart Stores East, LP, and Sam's East, Inc., Spartan Renewable Energy, Inc., Wolverine Power Marketing Cooperative, Inc. (Wolverine), Energy Michigan, Inc. (Energy Michigan), Calpine Energy Solutions, LLC, Constellation NewEnergy, Inc. (CNE), Michigan State Utility Workers Council, Utility Workers Union of America, AFL-CIO, Local 223, and the Michigan Department of the Attorney General (Attorney General). The Commission Staff (Staff) also participated. The ALJ set a schedule that provided for the Commission to read the record and to issue an order no later than December 1, 2017, as required by Section 6w. *See*, January 20, 2017 order, p. 6.

On May 11, 2017, the Commission issued an order clarifying the procedure for establishing the format of the capacity demonstration process and seeking comments on three threshold issues.

On May 22, 2017, the ALJ granted the Michigan Chemistry Council's (MCC) request for late intervention, on May 24, 2017, The Kroger Company (Kroger) filed a joint stipulation to permit

turned its attention to implementation of a State Reliability Mechanism as required under Section 6w(2) of Act 341. March 10, 2017 order, p. 18.

late intervention, and on May 25, 2017, the ALJ granted intervenor status to the Michigan Municipal Electric Association pursuant to the stipulation of the parties.

On June 1, 2017, the Staff filed a motion to strike certain testimony relating to the format for capacity demonstrations. On June 9, 2017, DTE Electric filed a response in opposition. On June 14, 2017, the ALJ held a hearing on the motion, and on June 28, 2017, he issued a ruling granting the motion, based on the March 10, May 11, and June 15 orders in this docket.

On June 15, 2017, the Commission issued an order in this docket and in Case No. U-18197 addressing the threshold questions that had been put out for comment related to the capacity demonstration process.

On July 21, 2017, testimony and exhibits were filed by the Staff, Energy Michigan, ABATE, and CNE. On August 16, 2017, rebuttal testimony and exhibits were filed by DTE Electric, Kroger, ABATE, and Energy Michigan.

An evidentiary hearing was held on August 31, 2017. On October 5, 2017, initial briefs were filed by DTE Electric, the Staff, ABATE, Kroger, CNE, Wolverine, the Attorney General, and Energy Michigan. On October 24, 2017, reply briefs were filed by DTE Electric, the Staff, ABATE, MCC, CNE, Wolverine, the Attorney General, and Energy Michigan.

The record consists of 552 pages of transcript and 47 exhibits admitted into evidence.

Background

MCL 460.6w(12)(h) defines the SRM² as “a plan adopted by the commission in the absence of a [PSCM] to ensure reliability of the electric grid in this state consistent with [MCL 460.6w(8)].”

² The final sentence of Section 6w(2) refers to establishment of a “state reliability charge” in the same manner as a “capacity charge” under Section 6w(3). The remainder of Section 6w refers to the state reliability mechanism or SRM. “SRM charge” or “capacity charge” are used interchangeably throughout this order to refer to the state reliability charge.

Pertinent subsections of MCL 460.6w related to the capacity obligations and process are as follows:

(2) . . . If, by September 30, 2017, the Federal Energy Regulatory Commission does not put into effect a resource adequacy tariff that includes a capacity forward auction or a prevailing state compensation mechanism, then the commission shall establish a state reliability mechanism under subsection (8). The commission may commence a proceeding before October 1 if the commission believes orderly administration would be enabled by doing so. If the commission implements a state reliability mechanism, it shall be for a minimum of 4 consecutive planning years beginning in the upcoming planning year. A state reliability charge must be established in the same manner as a capacity charge under subsection (3) and be determined consistent with subsection (8).

(3) After the effective date of the amendatory act that added section 6t, the commission shall establish a capacity charge as provided in this section. A determination of a capacity charge must be conducted as a contested case pursuant to chapter 4 of the administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to 24.287, after providing interested persons with notice and a reasonable opportunity for a full and complete hearing and conclude by December 1 of each year. The commission shall allow intervention by interested persons, alternative electric suppliers, and customers of alternative electric suppliers and the utility under consideration. The commission shall provide notice to the public of the single capacity charge as determined for each territory. No new capacity charge is required to be paid before June 1, 2018. The capacity charge must be applied to alternative electric load that is not exempt as set forth under subsections (6) and (7). If the commission elects to implement a capacity forward auction for this state as set forth in subsection (1) or (2), then a capacity charge shall not apply beginning in the first year that the capacity forward auction for this state is effective. In order to ensure that noncapacity electric generation services are not included in the capacity charge, in determining the capacity charge, the commission shall do both of the following and ensure that the resulting capacity charge does not differ for full service load and alternative electric supplier load:

(a) For the applicable term of the capacity charge, include the capacity-related generation costs included in the utility's base rates, surcharges, and power supply cost recovery factors, regardless of whether those costs result from utility ownership of the capacity resources or the purchase or lease of the capacity resource from a third party.

(b) For the applicable term of the capacity charge, subtract all non-capacity-related electric generation costs, including, but not limited to, costs previously set for recovery through net stranded cost recovery and securitization and the projected revenues, net of projected fuel costs, from all of the following:

(i) All energy market sales.

(ii) Off-system energy sales.

(iii) Ancillary services sales.

(iv) Energy sales under unit-specific bilateral contracts.

(4) The commission shall provide for a true-up mechanism that results in a utility charge or credit for the difference between the projected net revenues described in subsection (3) and the actual net revenues reflected in the capacity charge. The true-up shall be reflected in the capacity charge in the subsequent year. The methodology used to set the capacity charge shall be the same methodology used in the true-up for the applicable planning year.

(5) Not less than once every year, the commission shall review or amend the capacity charge in all subsequent rate cases, power supply cost recovery cases, or separate proceedings established for that purpose.

(6) A capacity charge shall not be assessed for any portion of capacity obligations for each planning year for which an alternative electric supplier can demonstrate that it can meet its capacity obligations through owned or contractual rights to any resource that the appropriate independent system operator allows to meet the capacity obligation of the electric provider. The preceding sentence shall not be applied in any way that conflicts with a federal resource adequacy tariff, when applicable. Any electric provider that has previously demonstrated that it can meet all or a portion of its capacity obligations shall give notice to the commission by September 1 of the year 4 years before the beginning of the applicable planning year if it does not expect to meet that capacity obligation and instead expects to pay a capacity charge. The capacity charge in the utility service territory must be paid for the portion of its load taking service from the alternative electric supplier not covered by capacity as set forth in this subsection during the period that any such capacity charge is effective.

(7) An electric provider shall provide capacity to meet the capacity obligation for the portion of that load taking service from an alternative electric supplier in the electric provider's service territory that is covered by the capacity charge during the period that any such capacity charge is effective. The alternative electric supplier has the obligation to provide capacity for the portion of the load for which the alternative electric supplier has demonstrated an ability to meet its capacity obligations. If an alternative electric supplier ceases to provide service for a portion or all of its load, it shall allow, at a cost no higher than the determined capacity charge, the assignment of any right to that capacity in the applicable planning year to whatever electric provider accepts that load.

(8) If a state reliability mechanism is required to be established under subsection (2), the commission shall do all of the following:

- (a) Require, by December 1 of each year, that each electric utility demonstrate to the commission, in a format determined by the commission, that for the planning year beginning 4 years after the beginning of the current planning year, the electric utility owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator, or commission, as applicable.
- (b) Require, by the seventh business day of February each year, that each alternative electric supplier, cooperative electric utility, or municipally owned electric utility demonstrate to the commission, in a format determined by the commission, that for the planning year beginning 4 years after the beginning of the current planning year, the alternative electric supplier, cooperative electric utility, or municipally owned electric utility owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator, or commission, as applicable. One or more municipally owned electric utilities may aggregate their capacity resources that are located in the same local resource zone to meet the requirements of this subdivision. One or more cooperative electric utilities may aggregate their capacity resources that are located in the same local resource zone to meet the requirements of this subdivision. A cooperative or municipally owned electric utility may meet the requirements of this subdivision through any resource, including a resource acquired through a capacity forward auction, that the appropriate independent system operator allows to qualify for meeting the local clearing requirement. A cooperative or municipally owned electric utility's payment of an auction price related to a capacity deficiency as part of a capacity forward auction conducted by the appropriate independent system operator does not by itself satisfy the resource adequacy requirements of this section unless the appropriate independent system operator can directly tie that provider's payment to a capacity resource that meets the requirements of this subsection. By the seventh business day of February in 2018, an alternative electric supplier shall demonstrate to the commission, in a format determined by the commission, that for the planning year beginning June 1, 2018, and the subsequent 3 planning years, the alternative electric supplier owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator, or commission, as applicable. If the commission finds an electric provider has failed to demonstrate it can meet a portion or all of its capacity obligation, the commission shall do all of the following:
 - (i) For alternative electric load, require the payment of a capacity charge that is determined, assessed, and applied in the same manner as under subsection (3) for that portion of the load not covered as set forth in subsections (6) and (7). If a capacity charge is required to be paid under this subdivision in the planning year beginning June 1, 2018 or any of the 3 subsequent planning years, the capacity charge is applicable for each of those planning years.

- (ii) For a cooperative or municipally owned electric utility, recommend to the attorney general that suit be brought consistent with the provisions of subsection (9) to require that procurement.
- (iii) For an electric utility, require any audits and reporting as the commission considers necessary to determine if sufficient capacity is procured. If an electric utility fails to meet its capacity obligations, the commission may assess appropriate and reasonable fines, penalties, and customer refunds under this act.
- (c) In order to determine the capacity obligations, request that the appropriate independent system operator provide technical assistance in determining the local clearing requirement and planning reserve margin requirement. If the appropriate independent system operator declines, or has not made a determination by October 1 of that year, the commission shall set any required local clearing requirement and planning reserve margin requirement, consistent with federal reliability requirements.
- (d) In order to determine if resources put forward will meet such federal reliability requirements, request technical assistance from the appropriate independent system operator to assist with assessing resources to ensure that any resources will meet federal reliability requirements. If the technical assistance is rendered, the commission shall accept the appropriate independent system operator's determinations unless it finds adequate justification to deviate from the determinations related to the qualification of resources. If the appropriate independent system operator declines, or has not made a determination by February 28, the commission shall make those determinations. . . .

(12) As used in this section:

(a) "Appropriate independent system operator" means the Midcontinent Independent System Operator. . . .

(c) "Electric provider" means any of the following:

- (i) Any person or entity that is regulated by the commission for the purpose of selling electricity to retail customers in this state.
- (ii) A municipally owned electric utility in this state.
- (iii) A cooperative electric utility in this state.
- (iv) An alternative electric supplier licensed under section 10a.

(d) "Local clearing requirement" means the amount of capacity resources required to be in the local resource zone in which the electric provider's demand is served to ensure reliability in that zone as determined by the appropriate independent system operator for the local resource zone in which the electric provider's demand is served and by the commission under subsection (8).

(e) “Planning reserve margin requirement” means the amount of capacity equal to the forecasted coincident peak demand that occurs when the appropriate independent system operator footprint peak demand occurs plus a reserve margin that meets an acceptable loss of load expectation as set by the commission or the appropriate independent system operator under subsection (8). . . .

(h) “State reliability mechanism” means a plan adopted by the commission in the absence of a prevailing state compensation mechanism to ensure reliability of the electric grid in this state consistent with subsection (8).

Thus, Section 6w of Act 341 requires each electric utility, alternative electric supplier (AES), cooperative electric utility, and municipally-owned electric utility to demonstrate to the Commission, in a format determined by the Commission, that the load serving entity (LSE or electric provider) owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the appropriate independent system operator (ISO), or by the Commission, as applicable. In the event an AES cannot make the required capacity showing (or elects not to), Section 6w requires that an SRM capacity charge be assessed, to be determined by the Commission, with the associated capacity for such AES customers provided by the incumbent utility. Section 6w established a new framework for resource adequacy in Michigan – that is, ensuring electric providers can meet customers’ electricity needs over the long term even during periods of high electricity consumption or when power plants or transmission lines unexpectedly go out of service. Act 341 went into effect on April 20, 2017.

Pursuant to a series of orders issued in Case No. U-18197 and the March 10, 2017 order in this matter, the Staff held a number of technical conferences for the purpose of addressing the procedures and requirements for demonstrating capacity. The Commission engaged stakeholders, with opportunities to provide comments and positions, and also opened dockets in this case and in Case Nos. U-18239, U-18253, U-18254, and U-18258, for the five electric providers with choice load potentially affected by the SRM charge requirement of Section 6w.

Under the Section 6w framework, the Commission must determine the capacity obligations for individual electric providers over a four year period and create a process to evaluate whether such obligations are met. Section 6w provides remedies in instances when an electric provider is unable to demonstrate it has procured adequate capacity to cover its load, including allowing for uncovered AES load to be assessed a capacity charge determined by the Commission and paid to the incumbent utility in exchange for meeting that load's capacity obligations. Special provisions exist for electric utilities, municipally-owned utilities, and electric cooperatives that fail to meet the Section 6w capacity obligations. Whether any capacity charge is actually imposed on choice customers will be determined after February 9, 2018, when AESs make their capacity demonstrations. However, under Section 6w(3), the capacity charge must be established by the Commission after a contested case by December 1 of each year, and the charge may not go into effect prior to June 1, 2018.³

In the September 15, 2017 order in Case No. U-18197 (September 15 order), the Commission adopted a timeline and procedures for the capacity demonstration process referred to in Section 6w(6) and (8). In the September 15, 2017 order in Case No. U-18441, the Commission opened the docket that will be the repository for all of the electric providers' filings for the initial demonstrations for planning years 2018-2022. Under the approved timeline, the Staff will file a memo in that docket indicating its determination on each electric provider's demonstration by March 6, 2018. Show cause proceedings shall be initiated if an individual load serving entity does not appear to have sufficient capacity based on the Staff's assessment. Such a proceeding will provide an opportunity for parties to present evidence on whether the electric provider has failed to

³ As the parties have noted, DTE Electric has a currently pending electric rate case, Case No. U-18255, which will conclude prior to June 1, 2018.

demonstrate that it can meet a portion or all of its capacity obligations, thereby triggering Commission action as set forth in Section 6w(8)(b)(i). The instant order will determine the capacity charge associated with load in DTE Electric's service territory. Whether the charge is levied on any retail open access (ROA or choice)⁴ customers will be determined by the outcome of any orders to show cause issued after March 6, 2018, for AESs operating in DTE Electric's service territory.

Positions of the Parties

Direct Testimony

DTE Electric Company

Don M. Stanczak, DTE Energy Corporate Services, LLC's (DTE Energy) Vice President of Regulatory Affairs, presented DTE Electric's overall proposal. He testified that the SRM should be in place indefinitely, because the transition to renewable generation will take place over an extended period of time and because DTE Electric will be investing in new generating plants that will have an operating life of over 30 years. He posited that DTE Electric currently has sufficient capacity, and that any future shortfall will be no more than 2-3% of total Planning Reserve Margin Requirements (PRMR). He further indicated that the capacity charge should be in place for 30 years. He asserted that the capacity charge remains in place for the first four planning years but that, after that, choice customers could decide to switch back and forth between the AES and the utility for their capacity service.

Mr. Stanczak stated that Act 341 appears to assume no capacity shortfall within MISO at the very time when there is likely to be one. He stated that DTE Electric expects to be 200-300

⁴ These terms are used interchangeably throughout this order.

megawatts (MW) short for the 2018/2019 planning year (the planning year runs from June 1 to May 31). Mr. Stanczak testified that DTE Electric may not be able to procure the necessary capacity to cover choice customers in the short term, and thus the utility proposes to charge a reduced interruptible capacity charge for choice load that cannot be supported by utility owned or purchased capacity. The charge will be the same as that paid by bundled customers taking interruptible service, and he stated that it will help to shield all customers from interruption of service due to a capacity shortfall. He proposed that the utility will establish a capacity queue for customers who wish to return to full service, based, first, on the return date and, second, on the date the customer provided the return to service notice. He explained that the PRA may go to the cost of new entry (CONE), but the physical capacity would not really exist. Thus, DTE Electric “does not see this as an appropriate way to address a physical capacity shortfall.” 3 Tr 85. He further explained that DTE Electric proposes to apply the same capacity charge to all customers, both choice and full service, but a choice customer returning to full service or on capacity-only service must stay with DTE Electric’s capacity service for a minimum of 30 years. He posited that without this term the utility cannot make a long term commitment for incremental capacity.

Mr. Stanczak explained that all production related costs from the utility’s most recent rate case (the January 31, 2017 order in Case No. U-18014) are included in the proposed capacity charge, except for fuel, variable operations and maintenance (O&M) expense, and non-capacity related purchased power costs. 3 Tr 89-90. He stated that the proceeds of energy market sales have been subtracted from the charge. He explained that DTE Electric has assumed that no choice customers will be taking capacity service from the utility in 2018. The utility has applied the cost of service allocations as approved in the rate case, and he stated that the rates produced by its proposed charge are revenue neutral.

Philip W. Dennis, DTE Energy's Manager in Regulatory Economics, identified the various capacity related filings that would be required as a result of Act 341 and the timeline for those filings. Exhibit A-16. He noted that the act requires the Commission to review capacity charges not less than once a year in a separate proceeding to be concluded by December 1 of each year, and in all rate cases and PSCR filings. He described at least three required filings – a capacity plan, a capacity true-up, and a PSCR case filing. He noted that a general rate case could take the place of the annual capacity filing, and stated that DTE Electric plans to file its true-up as part of its annual capacity plan proceeding, which would be in June of each year. Mr. Dennis asserted that adding the capacity charge true-up to the PSCR reconciliation case each year will provide the Commission with time to review the true-up report and capacity plan case and issue an order in time for any over- or under-recovery to be included in the next year's capacity charge. He posited that the annual PSCR reconciliation is the proper venue for reconciling both the purchase power capacity costs and the net energy market sales.

Angela P. Wojtowicz, DTE Electric's Director of Generation Optimization, testified regarding capacity projections. She explained that LSEs are required by MISO to demonstrate compliance with their PRMR prior to the beginning of the planning year by either submitting a Fixed Resource Adequacy Plan (FRAP), purchasing capacity through the PRA, or paying a capacity deficiency charge; and that DTE Electric is located in MISO's Local Resource Zone (LRZ or Zone) 7, which includes most of the lower peninsula of Michigan. She stated that MISO determines the Capacity Import Limits (CIL) and Local Clearing Requirement (LCR) for each zone – the LCR being the minimum amount of unforced capacity (UCAP) that must be physically located within an LRZ while fully utilizing the CIL. She explained that the LCR is intended to serve reliability by

ensuring that a minimum amount of capacity is located near the load, and that when there is insufficient capacity to meet the LCR of a particular zone, the PRA clearing price is set at CONE.

Ms. Wojtowicz indicated that, according to MISO, LRZ 7 currently has insufficient capacity to meet its PRMR without relying on imported capacity, and opined that, with the closure of the Palisades Nuclear Power Plant (Palisades), there may be insufficient capacity for LRZ 7.⁵ She asserted that DTE Electric projects a small capacity shortage in planning year 2018/2019 of 2-3%, or 200-300 MW. Thus, she explained, choice customers returning to full service during this period will be placed on interruptible service and will pay a capacity charge consistent with that interruptible service; and as the utility builds or otherwise acquires capacity, they will be returned to full service. Choice customers who provide the utility with four years' notice will be able to have firm service when they return in four years.

Turning to the PSCR mechanism, Ms. Wojtowicz explained that the PSCR factor includes capacity related generation costs associated with: (1) Public Utility Regulatory Policy Act (PURPA) based power purchase agreements (PPA); (2) 2008 PA 295 (Act 295) company-owned renewable energy (RE) systems; (3) Act 295 RE contracts; and (4) capacity purchases. With respect to the Section 6w(3)(b) categories of revenue that are to be subtracted from the capacity, she indicated that in its 2017 PSCR plan DTE Electric projects \$110 million in revenue associated with energy market sales after serving bundled load, and about \$1.3 million in ancillary service revenue, and that the total projected 2017 energy sales revenue net of fuel related costs and administrative fees is \$48.9 million. 3 Tr 210-213; Exhibit A-10. She states that DTE Electric projects no off-system energy sales or sales from unit specific bilateral contracts. 3 Tr 211.

⁵ The Palisades plant is no longer expected to close.

Thomas W. Lacey, a Principle Financial Analyst in DTE Energy's Regulatory Affairs department, testified that, in computing the proposed revenue requirement to be recovered through the capacity charge for each rate class, he began with the cost of service study (COSS) approved in Case No. U-18014. He included all costs identified as production costs with the exception of fuel, variable O&M costs, and certain purchase power costs. 3 Tr 160-161; Exhibit A-14.

Michael A. Williams, also a Principle Financial Analyst in DTE Energy's Regulatory Affairs department, presented the proposed residential capacity charge rate design and tariff language. He testified:

For each residential rate schedule, the Company designed capacity and non-capacity power supply rates. To design the residential non-capacity rates, the non-capacity revenue requirement allocated to each rate schedule as described above was divided by the respective rate schedule's total power supply sales to develop an energy based non-capacity charge. The capacity charge(s) for each residential rate schedule were then calculated as the difference between the existing power supply rates and the non-capacity rate.

3 Tr 185. He stated that DTE Electric assumed that no choice customers will take capacity service from the utility. Exhibit A-11, Schedule 2 shows the proposed rates, and Exhibit A-12, Schedule 1 shows proposed tariff sheet revisions. The billing determinants are the same as those used in Case No. U-18014.

Kelly A. Holmes, a DTE Energy Principal Financial Analyst, presented the proposed capacity charge rate design and tariffs for commercial secondary and lighting rate schedules, and presented a request for a temporary waiver of the 300-customer restriction currently on the commercial interruptible service, if needed, when a significant amount of choice load returns to full service.

Timothy A. Bloch, also a DTE Energy Principal Financial Analyst, presented proposed power supply capacity charges and tariffs for the commercial and industrial (C&I) primary rate classes, and proposed revisions to the ROA tariffs. He explained the potential need for interruptible service for returning customers and a firm service queue, and indicated that the ROA customers

returning to full service or taking capacity service will be required to take that service for 30 years, and there will be no minimum term for remaining an AES customer. He indicated that ROA customers returning to full service or taking capacity-only service must provide irrevocable written notice not less than three days prior to the next scheduled billing cycle. Exhibit A-12.

The Commission Staff

Eric W. Stocking, an Economic Specialist in the Commission's Financial Analysis and Audit Division (FAAD), testified that, consistent with Section 6w(2), the SRM should be in effect in perpetuity, or until Act 341 is revised, because the SRM provides the Commission with a tool to ensure the long term reliability of the grid and provides an economic incentive to LSEs to plan for future capacity obligations. He explained that the term of the SRM is different from the term of any capacity charge established for AES load. He testified that DTE Electric's proposal to keep the charge in place for a minimum of 30 years conflicts with the plain language of Section 6w(6) which states that a "charge shall not be assessed" for any portion of the capacity obligation for a planning year which the AES demonstrates an ability to meet. Mr. Stocking maintained that the capacity charge may only be assessed for AES load (for any planning year) for which the AES was unable to demonstrate an ability to meet. "For any years in which the AES is able to demonstrate that it has owned or contracted resources that satisfy its capacity obligations, no capacity charge should be levied onto that particular AES's customers." 3 Tr 237.

Mr. Stocking opined that, under Section 6w(8)(B)(i), in the initial four year period beginning June 1, 2018, any portion of AES load that is not supported by a satisfactory capacity demonstration in any one of those first four planning years would be subject to the charge for those four years, and that, beginning with planning year five and thereafter the AES may make the demonstration on an annual basis and customers would be subject to the charge on an annual basis

as well. Mr. Stocking indicated that the utility may have no other choice but to procure resources from the PRA in the short term, and noted that this would be no different from how the affected AES would have procured the capacity.

With respect to the utility's proposal to place returning customers on interruptible service, Mr. Stocking stated that the Staff is generally supportive of any LSE using demand response (DR) resources for capacity obligations, but that interruptible service should be a voluntary customer choice and not a requirement of returning to utility service. He noted that the 2017 Organization of MISO States (OMS) MISO Resource Adequacy Survey (RAS) shows that the MISO footprint is not at significant risk of being short of firm capacity, and opined that DTE Electric will be able to procure incremental ZRCs if necessary.

Heather A. Cantin, Department Analyst in FAAD, testified that the Staff disagrees with DTE Electric's proposed ROA tariff language creating a 30-year obligation to take full service or capacity service and proposed alternative language, noting that only the first four planning years create a multiyear obligation period. She further indicated that the Staff disagrees with proposed language requiring each ROA customer to notify the utility that it will not be returning to full service or initiating capacity service and to provide documentation of sufficient AES capacity, and placing a 30-year obligation on customers who do not so notify. Ms. Cantin indicated that choice customers should not be burdened with proving that their respective AESs have sufficient capacity. Finally, she disagreed with the requirement that ROA customers returning to full service be placed on interruptible service.

Nicholas M. Revere, Manager of the Rates and Tariff Section of the Commission's Regulated Energy Division, presented the Staff's calculation of the capacity charge. He opined that the appropriate cost of capacity is CONE, or the cost to build a combustion turbine (CT). He testified

that DTE Electric identified energy related costs, and considered all other costs capacity related, but opined that this method is incorrect because not all costs that are not energy related are capacity related. The Staff, on the other hand, went through the COSS and identified costs that are capacity related, and then considered all other costs non-capacity. Exhibit S-1.1.

Mr. Revere stated that the Staff identified all costs currently allocated using the production cost allocator (with the exception of fuel handling costs) as potentially capacity related. He indicated that the current production cost allocator of 4 CP 75/25 recognizes that 75% of costs are capacity related. He goes on to state:

An alternative methodology, as mentioned previously, is to identify all costs allocated by the former allocator, and set the percentage applied to determine which of those costs are capacity-related at the percentage necessary to make the resulting amount equal to CONE or some other measure of the value of capacity, as determined by the Commission. This would treat all costs in excess of CONE (or the Commission's chosen value of capacity) as non-capacity-related costs. Should the Commission determine such a method is more appropriate, Staff recommends that the levelized per year cost of a CT resulting from the Company's PURPA case, U-18091, be utilized.

3 Tr 266-267.

Mr. Revere opined that DTE Electric has not properly identified capacity related costs in the PSCR either because the utility assumes that the entirety of the cost of RE is capacity related, and he offers alternative methods for determining the capacity related cost of RE plants. Exhibits S-1.1, 1.2. He indicated that the Staff agrees, for the most part, with DTE Electric's calculation of net revenue from the four categories of revenue addressed in Section 6w(3)(b), with the exception of a small element of administrative costs.

Mr. Revere stated that the Staff agrees with DTE Electric that Section 6w requires a single capacity charge applied to similarly situated ROA and full service customers, allowing for collection of class cost responsibility from that class. With respect to the issue of how to align the collection of costs with customers' contributions to the need for capacity if a single identical

charge is required by the Commission, he noted two difficulties. First, he stated that billing according to the measure of contribution is effectively impossible because demand and energy are averaged over a number of years. Second, customers would not be able to determine when the peak hours would occur because they are not known until after the fact. He suggested using a proxy such as on-peak demand, or “isolating some number of hours likely to become the CP and charging each of those hours at the same rate.” 3 Tr 270. He opined that for classes with large numbers of diverse customers, on-peak summer kWh is the best starting point. In sum, he recommended that capacity related costs be collected through summer on-peak kWh charges for rate schedules without demand charges, and through summer on-peak kilowatt (kW) charges for rate schedules with demand charges. Exhibits S-1.4, 1.5. If the Commission decides that all customers must pay the same charge, then he recommends that the charge be collected through a uniform summer on-peak kWh charge.

Mr. Revere stated that Section 6w(3)(b) requires only a very limited reconciliation of the projected net revenues used in the calculation of the SRM charge to the actual net revenues, and the difference is reflected in the charge for the next year. He noted that capacity related costs associated with PPAs are reconciled as part of the PSCR process, and disagreed with DTE Electric’s proposal to split the PSCR factor into capacity and non-capacity components, stating:

PSCR-related rates are split into two pieces: (1) the base, which is included in regular rates, and (2) the factor, which is intended to effectively increase or decrease the base throughout the year in order to minimize the over or under collection at the end of the year. The billed factor is set at the Company’s discretion, subject to a cap. It is basically impossible to identify what costs are included in the base as opposed to the factor. Consequently, the best way to deal with potential mismatches between the amount of capacity-related costs incurred in a given year and the amount collected through the Capacity Charge is in the PSCR Reconciliation process. It would be reasonable to assume that the amount of Capacity Charge revenue associated with PPA capacity costs is proportionate to the amount of PPA capacity costs included as part of the calculation of the Capacity Charge. For example, if PPA Capacity costs are 5% of the total capacity-related costs used to calculate the Capacity Charge, 5% of the

revenues received from that charge should be considered revenues to cover those same costs. Any difference between the collected revenue so calculated and the actual PPA capacity costs should be included in the calculation of the next year's Capacity Charge. This is the same treatment required for the net revenue reconciliation, and keeps the Company whole in the same manner the current PSCR reconciliation does.

3 Tr 273.

ABATE

James R. Dauphinais, Managing Principle at Brubaker & Associates, Inc., appeared on behalf of ABATE, noting that its members include both bundled and ROA customers. Mr. Dauphinais began by describing the role of MISO with respect to capacity decisions, and noted that a Zonal Resource Credit (ZRC) does not provide its owner with any right to directly receive energy from the source of the ZRC, but instead places an obligation on the source to offer energy into MISO. He testified that MISO does not place geographic limitations on individual LSEs unless the LSE chooses to use a FRAP. He noted that the MISO footprint is broken up into Zones, and MISO imposes an LCR on each zone when it runs its annual PRA. He described other transmission limitations such as the CIL, but stated that the LCR is the most important limit with respect to the SRM in LRZ 7, which encompasses the portion of MISO in the lower peninsula of Michigan. Mr. Dauphinais explained that if an LSE uses a FRAP, it may not specify ZRCs located outside of the zone of its PRMR in excess of its load ratio share of the effective import capability into that zone. He opined that the SRM charge should exclude utility generation costs that are not associated with providing ZRCs.

Mr. Dauphinais articulated several concerns with DTE Electric's method for developing its proposed capacity charge. Noting that ZRCs provide no energy to AESs or choice customers, he testified that the utility inappropriately classifies the 25% of total energy usage allocation of fixed production costs as capacity related, when they are better characterized as non-capacity. Exhibit

AB-2. He indicated that it is unreasonable for DTE Electric to assume that no ROA customers will pay the charge, because it will result in DTE Electric collecting in excess of the incremental cost to provide capacity to ROA customers when the charge comes into play – about 81.4% overrecovery for every MW of ROA customer load annually. 3 Tr 521. Mr. Dauphinais recommended that the Commission require DTE Electric to file an updated capacity charge after the February 2018 AES SRM demonstrations are made and DTE Electric's pending electric rate case, Case No. U-18255, is final. He stated that the filing should reflect actual billing units and incremental costs.

Mr. Dauphinais testified that DTE Electric offers to use a combination of the PSCR process, the rate case process, and a new standalone process for true-up the SRM charge, but what it offers is incomplete and ambiguous. He stated that the utility fails to provide testimony calculating or describing the rate design for any true-up or for adjustments to the PSCR factor that would relate to the capacity charge. He also posited that any energy charge would not reflect demand-related cost causation and would not account for energy losses between service voltage classes. Mr. Dauphinais explained that a 100% demand allocation is reasonable because there are no energy costs recovered in the capacity related true-up

Mr. Dauphinais offered that perpetual implementation of the SRM is unnecessary because the act requires implementation on an annual basis once the initial four years has expired. He calls DTE Electric's 30-year proposal highly anticompetitive. He also characterized the proposal to place customers on interruptible service as unnecessary and anticompetitive, opining that it is a scare tactic and that DTE Electric will not be short of capacity in any case. Exhibit AB-3. Finally, he recommended that any capacity charge for local capacity provided to ROA customers be charged separately as a Local SRM Capacity Charge, based on the revenue requirement for the

incremental local capacity. “Therefore, to the extent this incremental local capacity proposal is adopted by the Commission in Case No. U-18197, DTE’s SRM Capacity Charge set in this proceeding should not apply to the provision of such incremental local capacity from DTE to its bundled retail and ROA customers.” 3 Tr 534.⁶

Constellation NewEnergy

Jeff D. Makholm, Ph.D., Senior Vice President/Managing Director of National Economic Research Associates, Inc., testified that the law now requires incumbent regulated utilities to include the 10% choice customers in their capacity plans, and described the capacity charge as new and incremental for ROA customers. He stated that, had DTE Electric used a planning model it “could have calculated an SRM charge that reflects its going-forward capacity-only costs during the applicable term of the capacity charge.” 3 Tr 306. He described DTE Electric’s method of computing the charge based on the split between its fixed and variable embedded costs of service as more advantageous for the utility than using incremental or marginal costs. He posited that DTE Electric overstates its capacity charge by failing to account for the fact that ROA customers place no energy demands on the utility’s system even though energy remains a major determinant of production plant costs.

Dr. Makholm noted that DTE Electric did not directly identify capacity costs in its calculation, but rather classified all costs not included as non-capacity as capacity costs. He opined that this method does not comport with the intent of the legislation:

Such a method only serves roughly to segregate fixed costs from variable costs. It does not reflect, and has no practical possibility of finding, an SRM capacity charge that deals reasonably with the problem that Section 6w seeks to remedy—which is to

⁶ In the September 15, 2017 order in Case No. U-18197, the Commission delayed implementation of the locational requirement for the first four planning years. The October 11, 2017 order in Case No. U-18444 opened a proceeding for determining the nature of the locational requirement.

establish a “cost-effective, reasonable and prudent” mechanism to ensure reliability. The legislation seeks to ensure sufficient capacity resources at the “forecasted coincident peak demand” plus a reserve margin. In contrast, DTE’s proposed “capacity charge” is made up of the entirety of its non-variable costs unrelated to any measure of peak reliability, as such. DTE’s charge is not related to “capacity” in any way consistent with what the legislation appears to be seeking. DTE’s method is simply a fixed cost-related charge that does not recognize that many of DTE’s fixed embedded costs are related to providing energy—a service that AES customers do not receive from DTE.

3 Tr 309 (note omitted). He opined that DTE Electric’s method cannot be reconciled with the language of the statute that requires that non-capacity services not be included in the charge, and that the SRM be cost-effective, reasonable, and prudent. He averred that the incremental cost should be calculated, and should be easy to calculate as simply the increase in peak load with no corresponding energy; he provided an example that would require DTE Electric to adjust the planning model software to increase the reserve margins to include the expected AES demand, and to run it once more with the reserve margin set at zero. Dr. Makholm testified that DTE Electric’s approach of dividing up the embedded cost of service is not forward-looking or economically efficient, nor does it actually reflect the cost of “the incremental facilities needed to meet the projected coincident peak load as opposed to those that only provide energy.” 3 Tr 316. He recommended the use of a planning model.

Dr. Makholm testified that DTE Electric’s proposal results in a capacity charge of \$436 per megawatt-day (MW-day), which he characterized as unreasonable because it is simply the traditional revenue requirement minus “non-capacity related” expenses and lacks either a planning element or an objective standard for reference – it would just charge AESs a pro rata share of the utility’s historical revenue requirement. He applied the average and excess energy weighting method to calculate a capacity charge of \$224/MW-day. As a check, he examined CONE for 2016 which was \$260/MW-day, and noted that in Case No. U-18250 Consumers Energy Company

(Consumers) supported an estimate of market capacity value of 50% of CONE. He also examined the cost of ZRCs resulting from a recent Request for Proposals (RFP) issued by Consumers in Case No. U-18382, and noted that the utility picked offers at or below \$164/MW-day. Thus, he concluded that DTE Electric's proposed amount is unreasonable.

Dr. Makhholm testified that the 30-year term is also unreasonable because it is based on the unsupported assumption that the utility will build power plants. Finally, he stated that the proposal to provide interruptible service is unreasonable and unworkable under Section 6w, because the law mandates that customers taking the capacity charge be treated equally and receive the same service. He recommended a range of \$164 to \$260 per MW-day for DTE Electric's SRM charge.

The Kroger Company

Neal Townsend, Principal at Energy Strategies, LLC, testified that Kroger operates more than 80 facilities in DTE Electric's territory, mostly as ROA customers but with some full service customers as well, under the Rate D11 Primary Supply rate. He stated that DTE Electric's 30-year proposal should be rejected as draconian, because Section 6w only requires a four year commitment during the first four years, and an annual commitment after that. He further explained that the billing demand for a multi-site ROA customer that is subject to the capacity charge should be based on the customer's aggregated demand across its various sites, so that the customer is treated as a single customer, which is comparable to its treatment in the competitive market.

Energy Michigan

Alexander J. Zakem, an independent consultant, testified that the language of Section 6w does not indicate an understanding of current MISO reliability procedures, because it seems to assume that the LSE's capacity obligation is satisfied by ownership of physical capacity, when in fact it is

simply satisfied by money, noting that LSEs do not take title to ZRCs in the PRA nor are ZRCs assigned to specific LSEs – rather, MISO uses all resources to serve all load. Mr. Zakem explained that it is not clear how the Commission will harmonize Section 6w with MCL 460.11(1) which requires electric rates to be based on the cost of service. He further asserted that, under the MISO tariff, DTE Electric cannot reassign forecast load or PRMR from one LSE to another (including from an AES to an utility). He posited that application of an SRM charge to LSEs in the wholesale market such as AESs, municipal utilities, and cooperatives “raises jurisdictional issues involving wholesale versus retail authority.” 3 Tr 393.

Mr. Zakem testified that the capacity charge should be forward looking, and based on the incremental costs DTE Electric would actually incur if providing capacity, noting that the cost of acquiring additional capacity is forward looking and not based on historical investments or fixed costs. He posited that this type of calculation would comport with cost of service principles. He noted that DTE Electric cannot remove a MISO PRMR obligation from an LSE, and stated that DTE Electric’s 30-year proposal does not constitute just and reasonable ratemaking. He noted that choice customers do not contribute to monthly summer peak demand and thus the 75% of production costs should not be allocated to them based on-peak demand. He stated that the utility continually emphasizes future alleged shortages, but does not offer convincing evidence.

Mr. Zakem stated that if a locational requirement is to be set, it should not be set until MISO has “fixed its LCR calculation.” 3 Tr 399. He posited that MISO has been underreporting future capacity for 10 years. He also questioned DTE Electric’s expectation of a shortfall, noting that in its 2017 PSCR plan filing the utility projected capacity prices through 2021 that are well under MISO CONE and are stable.

Mr. Zakem proposed that the cost of new replacement capacity resources should be shared by all LSEs in DTE Electric's distribution area, as long as they are qualified as ZRCs by MISO, including new builds, new DR, and new EO, approved by the Commission through the certificate of necessity (CON) process. The capacity cost alone would be shared and fair compensation for the value of the qualified new resource would be CONE, or the difference between the auction clearing price (ACP) and CONE, with apportionment pro rata on the basis of relative PRMR. He posited that his alternative charge calculation eliminates the need for any minimum term. He described DTE Electric's proposed tariff changes with respect to notice, the 30-year term, and forced interruptible service as excessively complicated, unnecessary, and in violation of just and reasonable ratemaking practices. Mr. Zakem testified that choice has been in place for 16 years and the return-to-service provisions have worked well. He disagreed with DTE Electric's implication that customers would be "choosing" to rely on the utility for capacity service. He also posited that Section 6w(8)(b)(i) does not require a customer to pay a capacity charge for all four initial years if the AES cannot make its demonstration for only one year, because the statute speaks in terms of "each" planning year.

Lael E. Campbell, Director of Regulatory Affairs for Exelon, testified that DTE Electric's proposal regarding requiring the AES customer to prove that the AES has secured sufficient capacity and imposing a 30-year payment requirement is punitive and discriminatory to ROA customers who are allowed, under Michigan law, to select choice service. He stated that the 4,906 individual customers participating in choice should not be burdened with being the intermediary between the AES and DTE Electric. He noted that the utility fails to define what the standard for the documentation would be. He explained that if DTE Electric intends to force customers onto a particular service without the customers' consent this would be slamming. Mr. Campbell stated:

Eliminating the ability for the AES to manage the customer's capacity as part of a larger portfolio of resources and customers would be inconsistent with the MISO tariff and will only serve to increase costs on customers subject to the SRM. It would also create an additional competitive disadvantage for AESs compared to the utilities, who have and will continue to serve their aggregate load through a combined portfolio of generation resources. . . . Placing the SRM charge directly on the customers will place the customer at the center of disputes related to the AES's demonstration of capacity. Such disputes would be better managed by the AES and the Company as those two entities would be more knowledgeable of the capacity demonstration and SRM process.

3 Tr 493-494. He recommended that the charge be assessed on a portfolio basis, because that is consistent with utility and MISO practice. Mr. Campbell also recommended that the charge be assessed to the AES rather than the individual customer so that the AES can manage capacity; and, in order to avoid double billing, he explained that the AES should be billed in an amount equal to the SRM minus the ACP for the applicable delivery year.

Rob Jennings, Senior Consultant with Energy Ventures Analysis, Inc., testified that DTE Electric participates in MISO and offers its output to MISO, which dispatches the plants economically through the use of the AURORAxmp hourly dispatch model (Aurora). He described his inputs to Aurora and assumptions he used to forecast DTE Electric's total energy sales, off-system power sales, ancillary service sales, and bilateral sales for 2018 through 2021, to compute the offsets under Section 6w(3)(b). Exhibits EM-11 through EM-15. He stated that he relied on record filings and discovery responses, filings with the Securities & Exchange Commission (SEC), DTE Electric's annual Form 1 filing with FERC, MISO documents, and a list of existing power purchase agreements (PPAs). He describes the Aurora model as very data-intensive, and explains how he arrived at assumptions for the model, including load forecasts, gas and coal prices, and legal requirements.

Ralph C. Smith, senior regulatory consultant with Larkin & Associates, PLLC, testified regarding how the SRM charge should be computed if the Commission chooses to use the

traditional embedded cost method for doing so. He noted that currently CONE in LRZ 7 is \$94,900 per MW per year. He identified DTE Electric's total capacity cost of \$1.726 billion from this record, and noted that DTE Electric applied the 75-0-25 production cost allocator in this case. Using the forecasted offset amount arrived at by Mr. Jennings for 2018 of \$584 million, he determined that DTE Electric's net capacity cost is \$1.186 billion. Exhibit EM-8. He noted that DTE Electric has a total of owned and purchased capacity of 12,158 MW. He divided the capacity cost by the capacity to produce a cost of \$97,527 per MW-year, or about \$267 per MW-day. *Id.* He posited that a rate could be developed by rate class by applying applicable line loss factors. However, he noted that Energy Michigan does not recommend use of the embedded cost approach.

Rebuttal Testimony

The Kroger Company

On rebuttal, Mr. Townsend testifies that Mr. Revere's proposal for collection through summer on-peak charges "is inconsistent with the nature of the underlying costs and incorporates a radical and unnecessary change in rate design that would result in unwarranted intra-class cost shifting among bundled customers." 3 Tr 290. He posits that, under Mr. Revere's proposal, customers with high average load factors will be over-burdened with power supply costs, and their summer bills will increase dramatically. However, he indicates that the Staff's Exhibit S-1.5 utilizes a year-round capacity demand charge, which he supports. Mr. Townsend indicates that the Staff's testimony and exhibit appear to be at odds, and he supports charges that are levied year-round. He also proposes that transmission expense be recovered through a non-capacity demand charge from demand billed customers.

ABATE

Mr. Dauphinais testifies on behalf of ABATE to rebut the Staff, CNE, and Energy Michigan. He begins by stating that he agrees with their common conclusion that the utility's cost to provide capacity to ROA customers should not be greater than the amortized CONE of a new CT generation facility. He notes that DTE Electric could provide ZRCs through the PRA, through a PPA, through EO or DR efforts, or through the building of new generation, but argues that any new capacity should only be considered peaking generation, not intermediate or base load generation. Thus, he continues, the utility's per unit additional cost could be as low as the 2017/2018 PRA clearing price of \$1.50 per MW-day. He disagrees however that DTE Electric's fixed production costs in excess of the CONE of a CT generator are all energy related costs, arguing that legacy costs such as past poor investments and generational differences in the cost of construction of new generation capacity are not energy related and should be allocated to bundled customers on the basis of coincident peak demand rather than energy consumption. He also disagrees with CNE's use of the average and excess cost allocation method.

Mr. Dauphinais avers that the Staff's proposed charge significantly shifts revenue collection amongst Rate GPD customers outside of a rate case, and posits that compliance with Section 6w does not require reallocation of revenue recovery among bundled service customer classes. He opposes the Staff's rate design as described by Mr. Revere, but notes that Exhibit S-1.5 shows the SRM charge applied to both summer and winter bills. Mr. Dauphinais states that he has calculated about \$130 million in approved revenue for the utility that is not accounted for if the Staff's summer-only scheme is applied. He also indicates that DTE Electric has provided an incomplete and ambiguous plan for setting and truing-up the capacity charge. He opposes the Staff's summer

on-peak kWh based rate design, arguing that it is contrary to industry standards and violates the cost based principles of MCL 460.11.

Energy Michigan

Mr. Zakem testifies on behalf of Energy Michigan to address the issue of “how the subtractions for all energy market sales and other sales specified in [Section 6w(3)(b)] should be included in the proposed SRM charges of the” Staff, ABATE, and CNE. 3 Tr 440. He states that if the capacity costs are determined by a method other than via embedded costs, then the subtraction of the various sales is not needed, but that the listed parties all used embedded costs (for at least one of their proposals, noting that the Staff and CNE also offer alternatives). He also states that the capacity charge must be determined in light of the cost based requirement of MCL 460.11(1).

Mr. Zakem testifies that “Since all the output of all generation is sold to the MISO energy market, and all energy delivered to LSEs is bought from the MISO energy market, face-value interpretation of ‘all energy market sales’ means all energy sales, not energy sales less energy purchases.” 3 Tr 443. He supports Mr. Jennings’ projections, which found that the subtraction under subparagraph (b) is valued at \$584 million for 2018. He disagrees with how the Staff performed the calculation, arguing that the subtraction should have included all energy market sales, not the portion of energy above the amount used by customers. He makes the same suggestion with regard to the proposals of ABATE and CNE.

DTE Electric

DTE Electric presented all seven of its witnesses to rebut various elements of Mr. Revere’s rate design, and to rebut statements made by Mr. Dauphinais, Mr. Townsend, and Mr. Zakem regarding rate design.

Ms. Holmes testifies on rebuttal that the Staff's "proposed commercial rate design would fundamentally change the way the vast majority of commercial customers are charged for electric service, as it would create mandatory time of day rates for all commercial customers going forward." 3 Tr 153. She posits that proposing to charge commercial customers a summer on-peak energy premium is beyond the scope of this proceeding and must be addressed in a rate case. She contends that the Staff provided no analysis addressing the financial impact of the proposed commercial rate design on rate recovery or customer satisfaction, and failed to provide SRM charges for Rate Schedules D1.1 and D5. She notes that capacity costs are currently recovered through power supply rates and that commercial customers have not historically elected to use time of day price offerings.

Mr. Williams makes the identical criticism with regard to residential customers. He states that the Staff has assumed that the portion of residential usage that will be summer on-peak usage will remain equal to historic values, without analysis or support, and without examining the effect on revenue recovery or customer satisfaction. He posits that the Staff has confused time of day and time of use periods.

Mr. Bloch testifies that the Staff's proposed industrial rate design is fundamentally flawed because it is not revenue neutral and radically alters the on-peak billing demand collection period and the daily on-peak period. He suggests that such a radical change should be accomplished gradually after review and adoption in a general rate case. He explains that the Staff provided no analysis or support for changing the billing demand period, and that the primary rate design actually reflects 12 months rather than the four months discussed in Mr. Revere's testimony. He also criticizes Kroger's attempt to introduce the issue of load aggregation, which, he states, was

rejected by the Commission in the December 11, 2015 order in Case No. U-17767, and properly belongs in a rate case.

Mr. Dennis states that he is testifying to provide additional clarity to his proposal to continue to reconcile capacity related costs associated with purchase power in the PSCR reconciliation. He offers Exhibit A-21 as an example of how the costs related to purchase power capacity would be reconciled and recovered through the PSCR reconciliation filings and through the separate capacity filings.

Ms. Wojtowicz takes issue with Mr. Revere's calculations. Specifically, she contends that his method of computing the SRM charge fails to recognize that the transfer prices were only intended to be a cost recovery mechanism via the PSCR for the capacity and energy value of renewable generation. She also disagrees with the Staff's, ABATE's, and Energy Michigan's use of CONE/CT as a capacity cost, because this method fails to recognize that incremental peak capacity of CTs alone does not provide reliability, and AES customers require capacity throughout the year, not just during peak hours. She posits that incremental capacity is needed along with existing capacity to maintain reliability, and the true cost of all utility capacity should be included in the capacity charge. She also disagrees with Mr. Zakem's assertion that the MISO tariff prohibits the reassignment of PRMR from one LSE to another, stating that the MISO Peak Load Contribution process used by DTE Electric every day allows for the reassignment of MISO capacity charges from one LSE to another. She contends that he also conflates the wholesale capacity obligation at MISO with the retail capacity obligation under Act 341.

Mr. Stanczak contends that the other parties propose to exclude a significant amount of embedded fixed generation costs from the SRM charge that properly belong in the charge. He states that Mr. Revere never explains what non-energy costs are, and that DTE Electric followed

the principles laid out in the National Association of Regulated Utility Commissioners Electric Utility Cost Allocation Manual (NARUC Manual). Mr. Stanczak notes that in the September 25, 2012 order in Case No. U-17032, the Commission set a capacity charge via a State Compensation Mechanism (SCM) for Indiana Michigan Power Company (I&M) that relied on fully embedded costs, using all demand related costs associated with I&M's generation assets. He asserts that this is the same criteria applied by DTE Electric. He notes that the Staff supported this method in the I&M case, and that the Staff opposed Energy Michigan's assertion in that case that the capacity charge should be reduced by 25%, which was also ultimately rejected by the Commission. September 25, 2012 order in Case No. U-17032, pp. 21, 30. Thus, he claims, the Staff's and ABATE's proposal to reduce capacity costs by 25% in this proceeding is inconsistent with the Commission's determination in Case No. U-17032. He contends that capacity costs are capacity costs, and whether labeled an SCM or an SRM, the same method should be adopted because it reflects the full cost of providing capacity.

Mr. Stanczak disagrees with the Staff's and Energy Michigan's reliance on CONE because Section 6w(3)(a) requires that the SRM charge reflect costs included in base rates, surcharges, and PSCR factors, which are all actual costs, whereas CONE is an estimated, theoretical cost. He advocates the use of fully embedded costs. He characterizes the Staff's approach as radical and states that it would change DTE Electric's revenue as set in Case No. U-18014, leaving it with unrecovered amounts.

Mr. Stanczak supports the need for a 30-year term because capacity assets have long lives, and he posits that this term would match the life of the asset with the customers who cause the costs to be incurred. He notes that the retail choice customer will be paying the capacity charge (because the utility provides no retail service to the AES), and testifies that they should notify the company

by April 1, 2018 if they will not be taking capacity service from the utility in order to minimize potential billing problems. He supports the proposal for interruptible service based on the potential capacity shortfall in Zone 7. He further states that all of the costs included in DTE Electric's proposed SRM charge are capacity related because they are all based on the COSS performed by the Staff in Case No. U-18014.

Mr. Lacey testifies that the Staff, ABATE, and CNE err in their proposals because classification and allocation have two different purposes in a cost of service study – allocation is for collecting costs and classification is for identifying costs. He states that the NARUC Manual (Exhibit A-18) identifies only two categories of costs: demand and energy. He offers that both the 4CP 75/0/25 method and the average and excess method are inappropriate in this case. He states that classification is the first step, and allocation is the next step, and costs should not be classified using an allocation method. Mr. Lacey states that the Staff creates three types of production costs (energy, capacity, and non-capacity), but in fact there are only energy and demand costs. He also avers that the Staff was inconsistent in its decisions with regard to what to include as capacity costs.

Mr. Lacey testifies that the Staff's calculation of capacity costs is more than \$1,011 million less than the company's calculation, and represents a 58% reduction from the correct amount. He states that the Staff excludes costs from rate base, O&M expense, taxes, and depreciation expense that are capacity related. He agrees with the Staff's exclusion of nuclear fuel inventory, costs associated with a Wisconsin fuel handling facility, construction work in progress (CWIP), and the Performance Excellence Program (PEP) amortization, but disagrees with all other exclusions. He offers Exhibit A-20, which reflects an adjustment to the Staff's base revenue requirement, and a capacity revenue requirement reduced by \$27.3 million.

Initial Briefs

DTE Electric Company

DTE Electric contends that the SRM charge must be cost based under MCL 460.11 for each customer class and subclass, and costs must be allocated to each class based upon the 75/0/25 method adopted in the January 31, 2017 order in Case No. U-18014 (January 31 order). The utility states that Section 6w(3)(b) requires the unbundling of capacity related costs from the total costs that are included in base rates in that order. DTE Electric argues that the SRM should be implemented indefinitely, and that the charge itself must be in place for a minimum of four consecutive planning years, but advocates a 30-year term due to the need for long-term capacity planning, noting that new generation assets have operating lives of 30 years or more. DTE Electric contends that once the utility has invested in new generation to serve a capacity customer, the term of the charge should coincide with the period of time needed to recover that investment and with the customer causing the investment.

DTE Electric describes how it determined the capacity related revenue requirement. The utility began with costs included in base rates pursuant to Section 6w(3)(a), and then

1. Projected energy sales revenue net of projected fuel costs, calculated by Company Witness Ms. Wojtowicz on Exhibit A-10 were removed; (T 161)
2. Fuel was removed consistent with the cost of service study approved in the Order in Case No. U-18014;
3. Non-capacity purchased power was removed; and
4. Variable O&M was removed. (T 161)

DTE Electric's initial brief, p. 17. DTE Electric states that it consulted the NARUC Manual for demand and energy classifications, and that it captured all capacity related costs, including amounts in working capital, production operation labor expense, non-labor production O&M expense, administrative and general expense, and income tax. DTE Electric posits that other

parties' proposals will make radical changes to the rate design, cost allocation, and billing determinants approved in Case No. U-18014, and will prevent the utility from recovering the revenue amount approved in the January 31 order. The utility argues that Section 6w was not meant to bring about such a result, but rather only requires the unbundling of base rates into capacity and non-capacity related costs. DTE Electric asserts that several of the parties' proposals may only be decided as part of a general rate case.

DTE Electric notes that in the September 25, 2012 order in Case No. U-17032, the Commission adopted a capacity charge for I&M based on fully embedded costs, including essentially all fixed generation costs, identical to the method that the utility proposes in this case. In that case, DTE Electric points out, the Staff opposed a proposal to reduce the capacity charge by 25% (based on the same 75/0/25 allocation in place in the instant case), and the Commission agreed, finding that such a reduction would be "discriminatory and inconsistent with Michigan's ratemaking principles." September 25, 2012 order in Case No. U-17032, p. 30. DTE Electric urges the Commission to make the same finding here.

DTE Electric next describes how all customer charges were calculated for the primary, secondary, lighting, and residential classes, positing that the charge cannot differ for bundled and ROA load; the charge must include capacity related costs included in base rates, surcharges, and PSCR factors; and the charge must equal the cost to serve. The utility states that it started with the capacity revenue requirement for each cost of service class and then subtracted the non-capacity rate, which was arrived at by subtracting the capacity revenue requirement from the total power supply revenue requirement. The result was then divided by power supply sales. Exhibits A-14, A-12. The utility states that the result is revenue neutral and uses the same billing determinants as are approved in Case No. U-18014.

DTE Electric proposes a true-up mechanism that would reconcile the difference between forecasted capacity costs and actual capacity costs as approved in the PSCR reconciliation case for the same period, and would reflect the difference between the forecasted amount of net energy market sales compared to actual net energy market sales as approved in the PSCR reconciliation case for the same time period. DTE Electric suggests that the reconciliation take place in the annual PSCR reconciliation filing.

The utility recommends the following implementation schedule:

- ☐ The Company's 2018 PSCR plan filing will occur on September 30, 2017.
- ☐ DTE would make a capacity charge plan filing update on January 1, 2018 to update capacity costs and rates to reflect revised purchase power capacity costs from its 2018 PSCR Plan filing.
- ☐ On June 1, 2018 DTE will make its 2019 capacity Plan Filing to develop rates for the 2019 capacity charge plan year.
- ☐ On September 30, 2018 DTE will make its 2019 PSCR Plan Filing to recover the difference between projected fuel costs in 2019 compared to the amount included in base rates.
- ☐ On March 31, 2019 DTE Electric will make its 2018 PSCR Reconciliation Filing to reconcile the difference between projected fuel and purchase power costs compared to actuals for 2018, including the true up of purchase power capacity and net energy market sales in the subsequent capacity plan filing. (See Exhibit A-16)

Establishing the schedule of related filings described above will allow capacity charge rates established by the Commission pursuant to the statutorily required December 1 review to become effective on January 1st of the next year. Because there are costs and revenues in the capacity charge and the PSCR that are directly related, and the PSCR operates on a calendar year basis, administrative efficiency will be achieved by reflecting PSCR changes in the capacity charge on a calendar year basis and then reconciling them contemporaneously for that same calendar year.

DTE Electric's initial brief, pp. 27-28.

DTE Electric states that over the next five years it expects to have enough capacity resources, either owned or under contract, to provide capacity for all of its current full service customers on a

PRMR basis, and any shortfall would be no more than 2-3%. DTE Electric proposes changes to its ROA tariff that it claims will help it identify the ROA customers that are subject to the charge. DTE Electric proposes that by April 1, 2018, each choice customer must notify the utility in writing that it will not be returning to full service or initiating utility capacity-only service beginning June 1, 2018, and must provide documentation from the relevant AES that demonstrates that the AES has secured sufficient capacity to serve the customer's load from June 1, 2018 through May 31, 2022. Exhibit A-12. DTE Electric states that, in light of its potential capacity shortfall, if the utility does not have sufficient capacity to serve ROA customers, then a firm service queue will be established and those customers will be placed on interruptible rates, and put into the firm service queue based on the time and date of their request to return to full service or capacity-only service. Interruptible service shall not exceed four years, and customers who provide a four-year notice of their intent to return to full service will be placed on firm service as soon as they return. Because the Interruptible Supply Rate – D8 for primary customers is currently limited to 300 MW of contracted interruptible capacity, the utility proposes an experimental four year contracted interruptible capacity limit of 1,000 MW beginning June 1, 2018, and requests a temporary waiver of the restriction to 300 customers for secondary interruptible Rate D3.3. DTE Electric observes that it will participate in MISO's PRA in 2018 through 2020, and if it is not able to obtain sufficient capacity, it will provide interruptible service.

Wolverine Power Marketing Cooperative, Inc.

Wolverine argues that the capacity charge must be assessed on the AES and not on the customer, because the AES is obligated to serve its customers and to file capacity demonstrations. Wolverine notes that only the AES can decide whether to rely on a utility for capacity or meet the obligation itself, and the customer is not involved. Wolverine contends that "it is fundamentally

unfair from a ratemaking standpoint to assess the capacity charge on the customer absent some specific legislative authorization. The AES, as an unregulated business, can decide if and when the cost of capacity is passed on to the customer as a matter of private contract.” Wolverine’s initial brief, pp. 6-7. Wolverine posits that its viewpoint is supported by the language of Section 6w(6), and further argues that placing the charge directly on the customer will discourage the use of choice.

Wolverine maintains that placement of the charge on the AES does not involve wholesale sales, because it compensates the utility for the cost of obtaining the capacity on behalf of the AES. Wolverine asserts that the ROA tariff with the utility could establish a requirement for a capacity-short AES to pay a retail charge.

Wolverine disagrees with DTE Electric’s 30-year proposal, arguing that the statute requires only four years for the initial term, and annual charges thereafter, where Section 6w(6) states that the charge shall not be assessed for any portion of the load for each planning year for which the AES made its demonstration. Wolverine urges the Commission not to impose a locational requirement in this proceeding.

Energy Michigan, Inc.

Energy Michigan states that the capacity charge must not conflict with the MISO tariffs, and must apply only to the portion of the load for a planning year that was not satisfied in the demonstration. Energy Michigan argues that Section 6w(3) requires that the calculation of the charge be based on inputs to base rates, and must comply with cost of service principles as required under MCL 460.11, thus the charge cannot be substantially more or less than the actual cost to the utility of obtaining capacity for ROA customers.

Energy Michigan posits that capacity is an electric attribute of physical generation facilities, and thus cannot be determined by simply adding up the fixed cost of such facilities. Energy Michigan argues that the costs of the electric attribute can be determined by looking at CONE, or the MISO PRA price, or the capacity portion of the embedded costs of a generation facility; and that the charge must be based on the costs of the newly acquired incremental capacity because historical investments are not relevant.

Energy Michigan argues that DTE Electric's proposed tariff changes for the ROA tariff are outside the scope of this proceeding and belonged in Case No. U-18197, because they are not directly related to the calculation of the SRM charge and true-up. Energy Michigan also objects to DTE Electric's 30-year proposal as inconsistent with the language of Section 6w(2) which speaks in terms of four consecutive planning years at the most. Energy Michigan avers that there is no statutory authority for a 30-year term for the charge, it is punitive, and it would not be necessary under Energy Michigan's charge proposal in any case because AESs will always be paying their share of the cost of any newly built or obtained capacity.

Energy Michigan urges the Commission to reject DTE Electric's proposed interruptible rate on grounds that it violates state law and is beyond the scope of this proceeding, noting that the utility cites no legal support for it. Energy Michigan observes that the rate is neither an SRM charge nor a capacity charge, and fails to reflect any actual cost to serve, but rather appears to be punitive. Energy Michigan also calls the notification requirements proposed to be placed on AES customers punitive and discriminatory, and beyond the scope of this proceeding, positing that placing this burden on customers would result in slamming, or the forced switching of customers without their consent, if the customer could not make the AES's demonstration on behalf of the AES.

Energy Michigan proposes an alternative calculation method for the charge. Noting that Michigan has no load growth, Energy Michigan proposes a cost sharing mechanism for new resources on grounds that maintaining the LCR is a forward looking process. All new resources qualified as ZRCs for Zone 7 would be eligible for cost sharing, except for the purchase or output of an existing resource already running in Zone 7 and a new resource built outside the zone. The cost of capacity only would be shared, at the value of CONE, so the utility should receive CONE minus the ACP, shared on a pro-rata basis by all LSEs in the utility's service area. Exhibits EM-3, EM-5. The SRM charge would commence if an LSE fails to participate in the cost sharing. The charge itself would be based on zonal CONE, which, Energy Michigan contends, would comply with MCL 460.11. Or the charge could be based on embedded costs, but with the full amount of energy market sales deducted. According to Energy Michigan, this puts the total SRM charge at \$267.20/MW-day. 3 Tr 475.

Energy Michigan disagrees with DTE Electric's and the Staff's reading of Section 6w(8)(b)(i), arguing that the SRM charge for a deficiency should be paid only for each year of the deficiency, and not for the first four years. Energy Michigan contends that this is supported by the plain language of the statute which speaks of "each" planning year rather than "all four" planning years. In order to avoid double-billing, Energy Michigan reasons, the charge must be applicable only for the delivery year in which the AES failed to make its demonstration, not the entire initial four year period. 3 Tr 496.

Energy Michigan further argues that the charge must be paid by the AES to the utility, under the language of Section 6w(6). Any other structure, according to Energy Michigan, would conflict with MISO's tariff and create a competitive disadvantage for AESs, and place a burden on

customers that is not appropriate. This would allow the AES to spread the cost across its load base and avoid placing a discriminatory charge on particular customers.

Constellation NewEnergy, Inc.

CNE urges the Commission to adopt an SRM charge for DTE Electric of between \$164/MW-day and \$260/MW day, claiming that DTE Electric's proposal comes in at \$436/MW-day; and argues that in no event should the charge exceed CONE for Zone 7, which was set at \$260/MW-day for the 2017/2018 planning year. CNE also contends that the utility should be required to produce a planning model in future charge cases that will isolate DTE Electric's capacity costs from its energy costs. In the meantime, CNE supports use of the average and excess energy weighting method applied by Dr. Makholm to derive a charge of \$224/MW-day. CNE argues that DTE Electric's proposal for how to set the charge does not comply with the statute and simply restates embedded costs with no attempt to distinguish energy from capacity. CNE maintains that a planning model would solve these problems by isolating capacity-only AES demands.

As alternatives for determining the charge, CNE offers the price of ZRCs from Consumers Energy Company's (Consumers) auction in Case No. U-18382 of \$164/MW-day or less; or MISO CONE for Zone 7 of \$260/MW-day, noting however that CONE includes the cost of energy for new generation, as well as capacity.

CNE further argues that the charge should be assessed on the AES and not its customers under the clear language of Section 6w(6) which states that "Any electric provider . . . shall give notice . . . if it . . . expects to pay a capacity charge." CNE reasons that AESs should be permitted to manage the charge among their customers and on the basis of their entire portfolio, and that ROA customers should not be forced into the center of disputes between the AES and the utility. CNE suggests that the terms of the ROA tariff be amended to allow the AES to pay the charge for the

relevant portion of its load, and, to avoid double-payment, suggests that the charge be reduced by the PRA clearing price.

CNE objects to DTE Electric's 30-year term proposal as unreasonable and a violation of Section 6w(3). CNE notes that DTE Electric may acquire capacity through capacity markets, undercutting the utility's argument that capacity will be supplied through newly built generation. CNE points out that bundled customers are not paying a 30-year capacity surcharge, and notes the language of Section 6w(6) which states that a charge "shall not be assessed for any portion" of load for each planning year in which the AES makes its demonstration. CNE recommends a one year term. CNE further argues that "the calculation of the SRM charge should be based on forecasted data during the term of the charge, including projected energy and ancillary services market clearing prices which are forward looking values that should be deducted from the SRM price." CNE's initial brief, p. 16.

Finally, CNE objects to DTE Electric's proposal regarding forced interruptible service, noting that there is a substantial existing choice queue, thus if customers return to full service other customers will leave full service, resulting in a net effect of zero on DTE Electric's capacity demands. CNE further notes that Section 6w requires bundled and ROA customers to pay the same capacity charge, and argues that the forced switching of customers onto interruptible service clearly prioritizes bundled customers over AES capacity-only customers. CNE also urges the Commission to reject DTE Electric's proffered notification requirements as unlawful, unreasonable, and contrary to the procedures adopted by the Commission in the September 15 order. CNE observes that under the language of Section 6w(6) a charge shall not be assessed for any portion of the capacity obligation for which the AES has made its demonstration, and thus the charge cannot be imposed in years where the demonstration has been satisfied. CNE states that

DTE Electric's proposal would require about 5,000 AES customers to make the notification, and posits that many customers would undoubtedly fail to comply for several reasons. CNE again notes that the concept conflicts with the requirements of the September 15 order, which made clear that the demonstration is made to the Commission and not to the utility, and that the Staff will provide notice in cases where the demonstration has failed.

The Attorney General

The Attorney General does not take a position on any issue other than the proposed 30-year term of the charge. The Attorney General disagrees with this proposal by DTE Electric on grounds that it is unreasonable, and notes that if the utility's investments are prudent and used and useful, the costs will be recovered. The Attorney General also notes the language of Section 6w(6) stating that the charge shall not be assessed for any portion of capacity obligations for each planning year for which the AES made its demonstration, and argues that 30 years is arbitrary. The Attorney General states "the Commission needs to maintain flexibility in its rules and procedures because MISO is not foreclosed from pursuing approval of a forward capacity auction in the future. In addition, market conditions, state capacity needs and capacity costs will likely change within the next 30 years." Attorney General's initial brief, p. 9.

ABATE

ABATE contends that DTE Electric's proposed SRM charge is over \$500/MW-day and is unreasonable. ABATE asserts that the calculation of the charge must exclude generation costs that are not associated with the provision of ZRCs, because only ZRCs will be provided to customers who become subject to the charge and ZRCs provide no energy. ABATE reasons that DTE Electric should not have treated the 25% energy allocation of fixed production costs as capacity related, because this will result in AES customers paying for energy related services that they do

not receive from the utility. ABATE contends that the 25% should be classified as non-capacity related production cost, and that this would allow the same charge to apply to both bundled and choice customers.

ABATE maintains that DTE Electric's proposal would allow the utility to collect revenue well in excess of its incremental cost to provide capacity, which could end up to be as low as the 2017/2018 MISO ACP of \$1.50/MW-day. ABATE states that DTE Electric's proposal results in a charge to a Rate D11 customer of \$519.12/MW-day, which ABATE calls an 81.4% overrecovery.

ABATE urges the Commission to require DTE Electric to make a filing after the 2018 capacity demonstrations and the rate case are completed, to update the charge "to reflect the actual AES customer Capacity Charge billing units and DTE Electric's actual incremental cost to provide capacity to these customers." ABATE's initial brief, p. 8.

ABATE avers that a perpetual SRM conflicts with the statute, and would require further legislation. ABATE also objects to the proposed 30-year term as anticompetitive, in conflict with the statute, and as a method for trapping customers. ABATE notes that the language of Section 6w(6) speaks to a single planning year at a time.

ABATE objects to DTE Electric's proposal regarding interruptible service, arguing that it is anticompetitive and unnecessary, serving mostly as a scare tactic to force AES customers to return to full service prior to December 31, 2017. ABATE posits that most of these customers would be unable to tolerate interruptible service due to safety and other concerns, making the proposal punitive. ABATE notes that nothing in Section 6w permits interruptible service in the context of setting the charge. ABATE also posits that the utility is unlikely to incur the risk of shortfall that it describes, since MISO Zones 2 and 7 are currently projected to have excess capacity for the 2018/2019 planning year. ABATE urges the Commission to make clear to DTE Electric that it has

an obligation to provide firm service to all retail customers who do not voluntarily elect interruptible service.

ABATE disagrees with the Staff's and other intervenors' assertion that any costs in excess of MISO CONE are energy related, arguing that legacy costs are not necessarily energy related. ABATE also disagrees with the Staff's proposed rate design, contending that it results in significant shifts between classes. ABATE notes that there is confusion between the Staff's testimony and Exhibit S-1.5. Finally, ABATE rejects the Staff's proposal for a summer on-peak charge, on grounds that it violates cost of service principles.

The Commission Staff

The Staff states that the SRM should remain in place indefinitely, observing that statutes that do not have an expiration date continue in perpetuity. Noting the language of Section 6w(6), the Staff asserts that the charge should be in place for one year, and only for the portion of the load that does not pass the demonstration. The Staff points out that under DTE Electric's proposal, the charge could be in effect for a year in which the AES made its demonstration, which would violate Section 6w(6). The Staff maintains that the language of Section 6w(8)(b)(i) requires that if, in its initial demonstration, an AES is unable to satisfy its obligations for any of the first four planning years, then its load will be subject to the SRM charge for each of those first four planning years. The Staff contends that a 30-year term is discriminatory and contradicts the plain language of the statute. The Staff maintains that the sole exception to the one-year term of the charge is laid out in Section 6w(8)(b)(i) for the first four planning years.

Turning to the calculation of the SRM charge, the Staff recommends that the Commission include only costs utilities directly incur to supply capacity. The Staff's first proposal is to identify appropriate production costs, and consider only costs corresponding to the cost of a CT as

capacity related, because CTs are the least costly method for producing capacity and any other method inevitably involves considerations that go beyond capacity. 3 Tr 264. The Staff recommends use of the levelized per-year cost of a CT as determined in DTE Electric's recent PURPA case, Case No. U-18091, with the production allocator modified so that the percentage applied to determine which portion of the costs allocated using the production allocator (and other related costs and offsets) are capacity related results in a cost on a MW/year basis. 3 Tr 266-267. The Staff posits that the demand portion of the production allocator, which is currently set at 75%, could be adjusted (up or down) so that, when applied to the utility's approved applicable costs, the result limits the capacity revenue requirement to the cost of a CT unit on a MW/year basis. Staff's initial brief, p. 12.

The Staff also proposes an alternative method based on using the approved COSS from Case No. U-18014 to identify costs incurred to supply capacity. This also begins with identification of appropriate production costs, and then applies the current demand weighting of the production allocator of 75% to those costs. 3 Tr 266. The Staff contends that DTE Electric's proposed method conflicts with Section 6w(8)(a), which requires that the charge include capacity related generation costs included in the utility's base rates, surcharges, and PSCR factors. The Staff states that DTE Electric included non-capacity related costs, and that the utility conflates "capacity related" with "demand related." The Staff notes that Mr. Lacey testified that there are only two types of production costs, demand related and energy related. 3 Tr 170. But, the Staff argues, the NARUC Manual does not specifically address the classification of all costs because they cannot all be classified into either energy or capacity. The Staff urges the Commission to adopt the cost causation approach that it traditionally uses.

The Staff also disagrees with DTE Electric’s arguments regarding the I&M case, stating that “Staff considers its responsibility in this case to be an independent review of capacity costs pursuant to the statutory requirements set by the Legislature in Act 341. The Legislature passed Act 341 in 2016, long after the Commission decided U-17032.” Staff’s initial brief, p. 21. The Staff avers that the cases are not comparable.

The Staff agrees with DTE Electric that the statute contemplates a single capacity charge between similarly situated choice and bundled customers, and recommends that the results of the allocation of capacity related costs in the COSS be used to set a separate charge for each customer class.

The Staff recommends that the calculation of the capacity charge be based on on-peak summer kWh charges for rate schedules without demand charges, and on-peak summer kW charges for rate schedules with demand charges. The Staff finds that this is the best proxy for contribution to capacity related cost incurrence. Acknowledging that this measure is not ideal for classes with large numbers of smaller customers, the Staff

recommends dealing with this issue by selecting some series of hours likely to become the CP and billing on those hours, as this spreads the cost responsibility over all hours that could potentially become the CP. Staff recommends on-peak summer kWh, as it only incorporates the months in which the 4 CPs used for allocation occur, while balancing the competing priorities of sending an effective price signal and not shifting the peak such that the rate no longer reflects the hours likely to become a CP. (3 Tr 270.)

Id., p. 24. If the Commission chooses one charge for all customers, the Staff recommends on-peak kWh. 3 Tr 271. The Staff asserts that its proposal best reflects cost allocation and cost causation.

Discussing some of DTE Electric’s arguments, the Staff admits that its “exhibits do not reflect the proposed change to summer capacity charges in the proposed rates and determinants. Staff admits this error, and has rectified it in the Company’s current rate case MPSC Case No. U-

18255.” Staff’s initial brief, pp. 25-26, note omitted. The Staff goes on to argue that, since the rates in this case will never be in effect because they will be updated in the rate case prior to June 1, 2018, the error should not be used to justify rejection of the Staff’s proposals.

The Staff urges the Commission to reject DTE Electric’s mandatory interruptible rate proposal. The Staff notes that the MISO region is expected to significantly exceed its overall planning reserve margin in the next five years, and contends that the utility’s asserted shortfall risk is not supported by reliable analysis. The Staff observes that the recent decision to continue to operate the Palisades plant should strengthen the capacity outlook. The Staff further observes that any choice customers that return to full service or to utility capacity-only service would not constitute incremental load for the region, stating that

these customers are not incremental to the zone. Furthermore, Section 6w of PA 341 of 2016 was enacted in order to incent electric providers in Michigan to procure capacity resources further into the future, thereby decreasing the uncertainty associated with procuring last-second capacity resources through the annual MISO capacity auction. This purpose is not served by allowing DTE to put returning ROA customers on an interruptible rate.

Staff’s initial brief, p. 28. The Staff posits that the interruptible rate must be voluntary.

The Staff also urges the Commission to reject DTE Electric’s proposed tariff modification for the ROA tariff which would require the choice customer to notify the utility that it will not be returning to full service or opting for utility capacity service beginning June 1, 2018 and to provide documentation from their AES showing that it has secured sufficient capacity. The Staff argues that there is no logic in requiring customers to notify the utility that they will not be doing something, and notes that the law requires the demonstration to be made to the Commission. The Staff points out that customers are unlikely to have this information, and the proposal is punitive since it could cause the 30-year obligation to attach to the customer even if the AES had made its demonstration. The Staff points out that the Commission has adopted procedures for the

demonstrations in the September 15 order, and the Staff is required to request a show cause proceeding for AESs that do not make a sufficient demonstration.

Finally, the Staff recommends that the reconciliation required by Section 6w(4), which is limited to revenues and costs required under Section 6w(3)(b), be approved. The Staff proposes to use the PSCR reconciliation process to deal with possible differences between capacity related and non-capacity related PSCR costs.

The Kroger Company

Kroger objects to DTE Electric's proposal that the SRM charge follow the ROA customer for 30 years and that the customer be required to stay with the utility's capacity service for that term, calling it heavy-handed. Kroger contends that Section 6w requires a four-year commitment for the first four planning years, and an annual basis for the charge after that. Kroger also strongly urges that demand be aggregated, stating:

The billing demand for an ROA customer that is purchasing SRM capacity should be based on the individual customer's aggregated demand across its various sites, as applicable. That is, rather than billing a multi-site ROA customer for capacity based on each individual site's maximum on-peak demand, the multi-site ROA customer should be treated as a single customer for the purpose of determining its capacity billing demand. Therefore, its billing demand for capacity should be based on its aggregate hourly demand across all of its sites that are subject to the SRM capacity charge.

Kroger's initial brief, p. 2, note omitted. Kroger avers that this is comparable to the treatment of multi-site customers in the competitive market and is cost-based.

Kroger disagrees with the Staff's proposed summer-only rate design, but agrees with the rate design shown in Exhibit S-1.5. Kroger calls the summer-only rate design a radical change, but states that the exhibit shows a different rate design in which SRM costs are recovered through demand charges levied year-round. Kroger urges that the charge be recovered throughout the year, and that demand related costs not be made into energy charges. Kroger also recommends rejection

of ABATE's proposal to recover 25% of fixed production costs allocated on an energy basis through an increase in the energy charge, on grounds that it is inconsistent with the nature of the underlying costs, and shifts recovery of power supply costs to energy charges. Otherwise, Kroger contends, customers with high load factors will pay more for power supply than under current bundled rates, and intra-class cost shifting will occur.

Reply Briefs

Attorney General

The Attorney General supports DTE Electric's proposal to bill the capacity charge as a separate rate from the energy usage rate, because this retains the existing rate design structure. The Attorney General urges the Commission to reject the Staff's approach to rate design, arguing that the Staff failed to explain the impact of its approach on residential and small commercial customers. The Attorney General indicates that the Staff has made the same rate design proposal in Consumers Energy Company's pending rate case, Case No. U-18322, and that evidence filed by the Staff in that proceeding shows that summer bills for residential customers (including senior citizens) would increase by almost 50% under that rate design, and summer bills for small commercial customers would increase by about 95%. Noting the considerable hardship that this would cause, the Attorney General urges rejection of the Staff's proposal.

Wolverine

Wolverine reiterates its arguments in opposition to the proposed 30-year term and imposition of the SRM charge on the ROA customer, referring to the plain language of the statute in Section 6w(3), (6), (7), and (8), and the clear responsibility of the AES for capacity service and customer service. Wolverine points out that Section 6w(3), (7), and (8) all refer to AES load.

Energy Michigan

Energy Michigan reiterates its arguments in opposition to a perpetual SRM, contending that it is unlawful for this Commission to bind future Commissions to a particular policy that would require legislative action to undo. Energy Michigan describes the SRM as a tool for the Commission to use to address reliability, but argues that the Commission can only determine on an annual basis whether to “implement an SRM for the applicable year.” Energy Michigan’s reply brief, p. 6.

Energy Michigan argues that the I&M case should not serve as precedent for this matter, noting that Case No. U-17032 involved a different utility, different ISO, different legal authority, and different mechanism. Energy Michigan contends that Section 6w explicitly recognizes the continued existence of Act 141 and the choice market. Energy Michigan points out that there has been no choice participation in I&M’s service territory since the case was concluded.

Energy Michigan also repeats its arguments regarding the 30-year term, stating that it agrees with ABATE and the Attorney General that such a term would be anticompetitive and a violation of the statute. Energy Michigan again advocates imposition of the charge on the AES on grounds that it is required by the statute which throughout refers to “AES,” “AES load,” or “load.” Energy Michigan points out that under Section 6w(7) only an AES can reassign its capacity to another provider – an ROA customer cannot.

Finally, Energy Michigan argues that under Section 6w(3)(b) all projected energy market sales net of projected fuel cost must be excluded from the capacity charge, and not just excess generation sold into the MISO market as DTE Electric has done. *See*, DTE Electric’s initial brief, p. 27, n. 20. Energy Michigan contends that the utility’s definition of energy market sales has been obsolete for 12 years, since MISO began dispatching all generation and charging for all

withdrawal. Energy Michigan explains that “all energy market sales” can only mean “all of the payments that MISO makes for injections of energy into the grid,” with no netting of energy for load against energy from generation. Energy Michigan’s reply brief, p. 13.

Constellation NewEnergy

CNE contends that the capacity charge should be no higher than MISO CNE and repeats its support for a planning model that would incorporate forward looking costs. CNE reiterates that the charge should be placed on the AES and not on the customer, arguing that Section 6w(6) requires this, and that the AES is responsible for procuring capacity and making the demonstration. CNE repeats its opposition to the 30-year term, arguing that the term should be annual and the charge should apply only in those years for which the AES has not made a satisfactory demonstration under Section 6w(8)(b)(i).

CNE urges the Commission to reject the forced interruptible service proposal as unreasonable, and also argues that DTE Electric’s proposed notification requirements are unlawful and inconsistent with the Commission’s findings in Case No. U-18197.

CNE urges the Commission to defer any ruling on a true-up mechanism, and allow this issue to be addressed on a case-by-case basis based on actual facts and circumstances, because any Commission ruling here would be premature and advisory.

ABATE

ABATE repeats its objection to DTE Electric’s classification of the 25% energy allocation as capacity related, and notes that the Staff, CNE, and Energy Michigan agreed that this was inappropriate. ABATE reiterates its opposition to the proposed 30-year term and a perpetual SRM.

ABATE urges the Commission to reject the forced interruptible service proposal as harmful and contrary to the requirements of Section 6w, noting that every party objected to it. ABATE contends that it is basically a threat to AES customers to force them to return to full service, and posits that DTE Electric is unlikely to struggle to obtain sufficient capacity when the MISO region is projected to have a significant surplus in future years and CNE has a substantial queue of customers waiting to take ROA service.

ABATE also argues that the I&M case should not be viewed as precedent because it involved a different regional transmission operator, and notes that FERC rejected the tariff proposed by MISO that would have authorized Michigan to establish a capacity forward construct. ABATE points out that the I&M charge is currently being reexamined in I&M's pending rate case, Case No. U-18370. ABATE also notes that Section 6w did not exist in 2012 when the former case was decided. ABATE posits that I&M has been able to maintain a monopoly over power supply in a manner contrary to the stated purpose of the choice law, citing the MPSC Status of Electric Competition in Michigan Reports, February 1, 2013, p. 25, and January 31, 2014, p. 29. Finally, ABATE maintains that in Case No. U-17032 the Commission (wrongly) included all fixed production costs in capacity costs, whereas Section 6w(3) mandates unbundling of capacity costs from fully embedded fixed production costs.

ABATE also opposes the Staff's rate design and summer on-peak collection proposals arguing that they have no legal basis, and contends that these issues should be addressed in a rate case.

Michigan Chemistry Council

MCC opposes the notion of an indefinite term for the SRM, arguing it is inconsistent with Section 6w(8)(b) and (6). MCC contends that the statute does not provide for an indefinite term, and that the Commission only has the power granted explicitly by the statute. MCC opposes DTE

Electric's proposed 30-year charge term as excessive, anticompetitive, and unsupported by the language of the statute. MCC also disagrees with the Staff's contention that the initial SRM charge is for four years, arguing that there is a potential for double-recovery and that the charge can only apply during the delivery year for which the AES failed to make its demonstration.

MCC favors placing the charge on the AES, and not on customers, based on the language of Section 6w(6) and the fact that AESs are responsible for managing their own customers and for procuring capacity. MCC maintains that the AES should be able to spread the cost across its load base in any way that it sees fit, and explains that customers should not be held responsible for the actions or inactions of their suppliers. MCC urges the Commission to reject the forced interruptible service proposal, noting that DTE Electric provided no legal authority to support the proposal and arguing that it is punitive.

MCC agrees with the capacity charge proposal made by Energy Michigan which relies on a sharing of the costs of new capacity, arguing that the cost sharing should be limited to the capacity costs of the new resource and not total costs. MCC contends that the SRM charge cannot be based on historical costs of investments that are not providing capacity service, and favors Energy Michigan's proposal to base the cost on CONE.

The Staff

The Staff objects to DTE Electric's complaints regarding the fact that the procedures for capacity demonstration were not set in this matter but instead in Case No. U-18197, noting that the number of ROA customers who end up paying the charge is not a determinate in any of the proposed calculation methods. The Staff states that the Commission adopted a uniform method for capacity demonstrations for all electric providers and service territories in that case; and argues that it would have been ridiculous to try to adopt those procedures in the five separate SRM charge

cases, where the statute requires that the charge be established by December 1, but also requires that regulated utilities file their demonstrations on December 1.

The Staff reiterates its opposition to the proposed 30-year term as unduly discriminatory, noting that a bundled customer who either moves away or moves to choice is not burdened with any 30-year charge. The Staff posits that departing customers will eventually always be replaced with new customers requiring capacity. The Staff describes the fact that DTE Electric's generation fleet has been shrinking and that the utility has applied for a certificate of necessity for a new gas fired 1100 MW plant, which "is larger than the coincident peak of all of the ROA load in DTE's service territory combined." Staff's reply brief, p. 5. Noting that a current customer who leaves the utility's service would not be expected to contribute to this gas plant or to any other cost, the Staff argues that no such requirement should be placed on an ROA customer either.

The Staff objects to the forced interruptible service proposal, arguing that the 2017 Organization of MISO States-MISO Resource Adequacy Survey indicates that the MISO region will exceed its reserve margin considering only firm capacity, and that the addition of unexpected resources will only make MISO's capacity position stronger. The Staff contends that DTE Electric offered no reliable analysis for its shortfall assumptions, and explains that any choice customer that returns to full service will not add any incremental capacity load to the region. The Staff urges the Commission to continue to make interruptible service voluntary.

The Staff objects to DTE Electric's claim that production costs are capacity related costs and reiterates its support for certain exclusions. The Staff also disputes the utility's claim that this case is simply for the unbundling of capacity costs from non-capacity costs, arguing that this case must also determine how the charge is calculated and billed. The Staff avers that its proposal reflects

the usage that is likely to occur. With regard to its proposed use of the production allocator, the Staff suggests:

Should the Commission agree with Staff's proposed identification of capacity costs as those which could add up to no more than the cost of a CT, and also agrees with other parties that the difference between this new percentage and 75% should not be considered energy related, Staff proposes a compromise position. A compromise position would be to maintain the overall 75% of the production allocator, but split the demand piece into two portions — a capacity-demand portion that is set at the percentage necessary to set the capacity revenue requirement equal to the cost of serving the Company's capacity using a CT, and a non-capacity-demand portion that is set to make up the difference between the capacity-demand portion and 75%.

Staff's reply brief, p. 10.

Responding to Kroger's request for aggregation for multiple sites, the Staff argues that this is not the appropriate proceeding for this issue, which would apply to all demand rates. The Staff also notes that the Commission recently rejected Kroger's position. December 11, 2015 order in Case No. U-17767, p. 128. The Staff also disagrees with Kroger's cost allocation proposal, arguing that the costs are allocated on an energy basis and the cost responsibility is determined on an energy basis, and they should thus be collected through an energy charge.

Responding to Wolverine, the Staff notes that under its proposal similarly situated ROA and bundled customers receiving capacity service would pay the same rate.

Responding to ABATE's proposal for updated billing determinants, the Staff indicates that the proposed recalculation would change all customers' rates, and should be done in a rate case.

The Staff objects to CNE's recommendation of a planning model, arguing that the Staff's method is simpler and easier to implement, and is an extension of the Commission's current allocation and classification methods. The Staff also disagrees with CNE's premise that CNE should provide an upper limit on the charge, calling it arbitrary and inconsistent with Section 6w(3). The Staff explains that its own PURPA/CT cost suggestion is simply a way of identifying

appropriate costs and not a cap. The Staff agrees with CNE's criticisms of DTE Electric's proposed notification requirements.

The Staff takes issue with the intervenors who call for the charge to be placed on the AES, contending that Section 6w, when read as a whole, requires that the charge be placed on the ROA customer, to make it practical and enforceable. The Staff notes that the service itself is provided directly to the customer and not to the AES. The Staff also points out that the statute requires that the charge paid by bundled load and AES load must not differ, and that it would be impossible for the Commission to carry this out if the charge is placed on the AES. The Staff notes that if the Legislature ordered the Commission to set a wholesale rate, then Section 6w is preempted by federal law.

While Section 6w(6) appears to address "electric providers," the Staff goes on to argue that it cannot be read in isolation and that if the Legislature wanted the AES to be charged it could have said so. The Staff observes that Section 6w(7), like other subsections, is addressed to "the portion of that load," and that only the AES can decide whether to provide forward capacity service or not. Thus, it would be impractical to expect customers, under Section 6w(6), to provide the Commission with notice as to whether they expect to pay a charge. The Staff maintains that the real effect of Section 6w is to mandate that incumbent utilities must provide a forward-planning state reliability service, which the AES may or may not choose to provide. MCL 460.6w(7). The Staff posits that the benefit of increased reliability flows to the customer and not the AES, and it only makes sense to charge the customer. The Staff proposes that this interpretation harmonizes with MCL 460.11 and carries out the full intent of Section 6w without rendering it nugatory or frustrating its purpose. The Staff avers that the Legislature is presumed to know the law in effect at the time of its enactments.

In response to Energy Michigan, the Staff disagrees with a charge set on the basis of newly acquired, incremental capacity, because it would violate the cost of service requirement and result in discriminatory rates. The Staff also disagrees with Energy Michigan's proposal to remove all revenues from sales into the MISO market, on grounds that Energy Michigan has misidentified what is a "sale." The Staff contends that only the amount bought that is above the utility's production should be considered a "purchase," and only the amount sold above production should be considered a "sale."

DTE Electric

DTE Electric begins by positing that Section 6w does not give the Commission any new fundamental ratemaking authority, and emphasizes that capacity costs are already currently included with all other power supply costs and recovered in current rates. DTE Electric states that the currently approved rates and their associated billing determinants from Case No. U-18014 reflect the fully allocated power supply costs and are the only lawful basis from which the SRM charge can be drawn. The utility claims that any method that does not simply unbundle the currently approved total power supply rates based on those costs and billing determinants would interfere with its ability to recover the approved cost to serve; and argues that this proceeding is not intended to produce massive changes to how customers are billed.

DTE Electric addresses the intervenors' argument that the charge should be paid by the AES. DTE Electric notes that Section 6w is part of 1939 PA 3, and its language must be interpreted as part of that act. Thus, DTE Electric argues, the language of Section 6w(6) does not mean that the Legislature intended for the charge to be placed on the AES. The utility points out that "electric provider," in addition to meaning an AES, also means "Any person or entity that is regulated by the commission for the purpose of selling electricity to retail customers in this state." MCL

460.6w(12). Thus, DTE Electric continues, the language of Section 6w(6) requiring that the charge “be paid for the portion of its load taking service from the [AES] not covered by capacity,” refers to the utility’s load, meaning choice customers. DTE Electric further points out that if the charge were levied on the AES, there would have been no need to conduct a true-up; and that Section 6w(8)(iii) provides for an electric utility to pay fines, penalties, and “customer refunds.” The utility argues that if the charge were levied on an AES, no utility customer would ever be in need of a refund. Finally, DTE Electric argues that “load” clearly implies energy usage, and must refer to end-use customers.

Turning to the cost calculation, DTE Electric argues that Section 6w(3)(a) requires that the calculation begin with the current total cost of service included in current base rates, surcharges and PSCR costs, which means that all fixed or non-variable generation costs are included. The utility contends that a straightforward unbundling of fully allocated embedded power supply costs is what the statute calls for, and that other parties conflate allocation with classification. DTE Electric argues that its method is supported by the current COSS and by the precedent embodied in Case No. U-17032, the I&M case. DTE Electric notes that in that case the Commission approved a capacity charge based on the use of fully embedded costs, and argues that the Staff failed to cite to any material differences between that case and this one. DTE Electric states that the I&M decision means that demand costs are the fixed costs that are incurred regardless of energy sales – essentially all fixed generation costs.

DTE Electric explains that cost classification and allocation are different functions and have different purposes in a COSS. Allocation is for cost collection, and classification is for identification of the type of cost. The utility again cites to the NARUC Manual’s identification of demand and energy, and of classification as a first step before allocation. Finally, DTE Electric

insists that this proceeding does not have a record sufficient for making fundamental changes to cost classifications. DTE Electric further argues that the Staff's proposal for how to use transfer prices to determine the capacity of renewable generation is mistaken because the Staff only calculated the fixed cost component of the transfer price.

DTE Electric criticizes the Staff and intervenors' reliance on CONE/CT arguing that the charge cannot be based only on incremental costs because customers also need the existing capacity service that they get year round. The utility posits that Section 6w recognizes that the energy benefits of sales revenues offset the capacity costs, because 6w(3)(b) requires that the revenue from energy and ancillary sales, net of fuel costs, be subtracted from the capacity charge cost. DTE Electric repeats its claim that the Staff's proposed rate design will cause radical changes for all customer classes, and that these changes have not been fully understood yet, but that the rate design does not support a revenue neutral outcome. 3 Tr 125-126, 154-155, 190-191. DTE Electric avers that its rate design maintains the basic structure that each rate schedule currently has.

DTE Electric urges the Commission to adopt its forced interruptible service proposal because this case is about planning, and the proposal would not commence unless the utility was unable to meet customers' requirements on a firm basis after taking all prudent steps. The utility notes that choice customers forced onto this service will pay the same tariffed amount as bundled customers. DTE Electric alleges that its first priority must be the full service customers who have been paying the fully embedded cost of capacity for years.

Turning to its ROA tariff proposals, DTE Electric reminds the Commission that the utility was not allowed to present evidence in this case on the capacity demonstration procedures because those issues were addressed in Case No. U-18197 – a case which, DTE Electric contends, failed to

provide proper notice, hearings, or due process, and was nothing more than a press release. DTE Electric asserts that in order to properly bill customers it must identify the individual customers that should be billed, and its notification procedures form the only timely and workable proposal on this record. The utility argues that if the AES provides notification to the utility, then that will result in AESs signing choice customers up for utility service. DTE Electric states that under its proposal customers will know ahead of time that they will be billed because they will be informing the utility to bill them, which will minimize billing questions. DTE Electric asserts that there are sound policy reasons for requiring a 30-year term, including Michigan's transition from coal to gas and renewables.

DTE Electric urges the Commission to reject Kroger's aggregation argument, noting that the Commission has rejected it before. December 11, 2015 order in Case No. U-17767, p. 128. DTE Electric also notes that the charge must not differ for full service and AES load.

Discussion

The Terms of the SRM and the Capacity Charge

The parties disputed whether the SRM continues in perpetuity or not, with some parties arguing that the Commission could establish the SRM for the first four years as required by Section 6w and then discontinue the mechanism thereafter. The Legislature, in its wisdom, crafted Section 6w to give the Commission a tool for better ensuring the reliability of electric supply for Michigan's electric service ratepayers over the long term. Section 6w(1) and (2) indicates the flow of options for providing this tool, beginning with the potential approval by FERC of an ISO's resource adequacy tariff that provides for a capacity forward auction, moving to approval of a PSCM, and then, in default of either of those options occurring, examination of an SRM. The latter describes the situation in Michigan. *See*, n. 1, *supra*.

Section 6w(2) provides that “If, by September 30, 2017, [FERC] does not put into effect a resource adequacy tariff that includes a capacity forward auction or a prevailing state compensation mechanism, then the commission shall establish a state reliability mechanism under subsection (8). . . . If the commission implements a state reliability mechanism, it shall be for a minimum of 4 consecutive planning years beginning in the upcoming planning year;” and Section 6w (3) provides that “After [April 20, 2017], the commission shall establish a capacity charge as provided in this section.” The first quoted sentence indicates that the Commission “shall” establish an SRM, and the last quoted sentence indicates that the Commission “shall” establish a capacity charge. The fact that the intervening quoted sentence begins with “if” does not persuade the Commission that the SRM is meant to be optional – it is, after all, a mechanism. The mechanism may not result in the shifting of a capacity obligation from an AES to an incumbent utility every year, but that does not mean the mechanism itself should cease to exist, or there is no need for the mechanism to continue in perpetuity in order to ensure adequate electric supplies over the long term. The mechanism will continue to be a tool at the Commission’s disposal until amendment or repeal of Section 6w. The Staff correctly observes that any statute that does not have an automatic expiration date or sunset provision continues in perpetuity until it is amended or repealed by the Legislature alone. No administrative agency may amend or repeal a statute.

The Commission finds that Section 6w does not limit the term that a charge may remain in place, with the exception of the language just quoted providing that “If the commission implements a state reliability mechanism, it shall be for a minimum of 4 consecutive planning years beginning in the upcoming planning year.” MCL 460.6w(2). When this language is read in conjunction with the requirement under Section 6w(8)(b)(i) that “If a capacity charge is required to be paid under this subdivision in the planning year beginning June 1, 2018 or any of the 3

subsequent planning years, the capacity charge is applicable for each of those planning years,” the Commission concludes that the Legislature intended for the first four consecutive planning years to be treated as a group, and that any charge applicable to any of those first four planning years is also applicable to every other year in the first four planning years.

Other than this limitation applicable to the first four planning years, Section 6w provides no indication as to the required term of the charge. The Staff and others argue that a term longer than a year would violate the language of Section 6w(6) which states that a “capacity charge shall not be assessed for any portion of capacity obligations for each planning year for which an [AES] can demonstrate that it can meet its capacity obligations.” The Commission disagrees. This sentence makes clear that a charge shall not be assessed for a planning year for which an AES can make its demonstration, but it does not say that a charge may not be assessed in a planning year for which an AES can make its demonstration. The Commission concludes therefore that Section 6w allows for a charge to be assessed in a planning year different from the planning year for which the AES failed to show sufficient capacity and for which the utility may recover capacity costs from ROA customers.

That said, the statute thereafter focuses on one year at a time, where it requires that “each year” electric utilities, AESs, cooperatives, and municipally-owned utilities shall make their demonstrations “for the planning year beginning 4 years after the beginning of the current planning year.” MCL 460.6w(8)(a) and (b). As some intervenors note, the MISO process is also an annual one. In this context, and bearing in mind that this is the first group of cases setting a capacity charge, the Commission finds that the charge (with the exception of the first four consecutive planning years) should be imposed on an annual basis for a single year. This ensures

that the charge comports with the requirements of the statute while avoiding imposition of the charge on the initial group of ROA customers for a term that is unduly burdensome.

The Commission is not persuaded that DTE Electric's long-term planning requires a 30-year charge. The utility indicates in its testimony that, to the extent it is available, DTE Electric will secure capacity through the MISO PRA. 3 Tr 85. Additionally, the Commission observes that any ROA capacity burden that is transferred to an incumbent utility might be met through the use of energy optimization (EO) resources, demand response (DR) resources, and PPAs, as well as newly-built generation or the auction. This belies the need for 30 years of payments. Moreover, the Commission is not convinced that an annual charge will act as a disincentive to long-term planning, because (with the notable exception of this first case) the capacity obligation that is under examination is always four years forward. Four years is sufficient time to lock-in numerous types of resources, including DR resources, EO resources, PPAs, resources purchased in the MISO PRA, and even new gas plants. Any additional capacity burden that is shifted to an incumbent utility will be incremental for that utility, and there are four years of advance notice. The Commission finds that the initial charge that is levied on choice customers at the conclusion of a show cause proceeding for planning years 2018-2021 shall be the first four consecutive planning years, and any charge levied thereafter at the conclusion of a show cause proceeding shall be levied and applicable for a single year.

The Commission is sympathetic to the utility's concern with AES customers potentially going on and off utility capacity service due to market conditions in any given year and how this may cause the utility's full service customers to bear costs for the utility arranging new capacity for such AES customers that then return to an AES for capacity service when market conditions improve. But given the four-year notice and the ability of the utility to secure shorter-term

capacity supplies, this potential concern with capacity pricing arbitrage does not warrant the Commission setting an excessive 30-year term at this time. The Commission will, however, monitor this situation and consider a term longer than one year if needed to ensure all customers are treated equitably and cost shifting is avoided.

The Method for Determining the Capacity Charge

The record in this matter includes a wide range of competing proposals, with differences among the proposals broad enough to make each comparison apples to oranges. Moreover, some areas of analysis are highly conceptual but lack sufficient details and mechanics to actually allow for implementation. Fortunately, the statute provides significant guidance in Section 6w(3)(a), where it instructs the Commission to begin the calculation of the charge by including “the capacity-related generation costs included in the utility’s base rates, surcharges, and [PSCR] factors,” regardless of whether those costs result from owned, purchased, or leased resources. The Commission finds that, based on the record in this case, it is reasonable to begin with embedded costs contained in the full portfolio of resources, and this comports with the method adopted by the Commission in the I&M case. The Commission finds DTE Electric’s proposed method, which begins with total embedded production related costs and subtracts the non-capacity-related costs of fuel expense, variable O&M expense, and non-capacity related purchased power expense, to be a reasonable method under Section 6w(3)(a). 3 Tr 89-90, 161-162; Exhibit A-14; DTE Electric’s initial brief, pp. 16-18.

However, unlike the I&M case⁷ (which was not decided under Act 341), Section 6w(3)(b) goes on to list amounts that must be deducted from embedded costs, including (net of projected

⁷ As ABATE, Energy Michigan, and the Staff point out, Case No. U-17032 is distinguishable from this case in many ways. It was required by a tariff approved by PJM, a different RTO. In

fuel costs) all energy market sales, off-system energy sales, ancillary services sales, and unit-specific bilateral contract sales.⁸ DTE Electric offered deductions of \$49 million on an annual net net (net of projected fuel costs, and net of total purchases or total losses) basis under Section 6w(3)(b). 3 Tr 210-213. However, the statute says nothing about making this determination on an annual net net basis. The statute says “subtract all non-capacity-related electric generation costs . . . net of projected fuel costs, from all of the following: (i) All energy market sales. (ii) Off-system energy sales. (iii) Ancillary services sales.” MCL 460.6w(3)(b). The plain language of the statute provides no support for DTE Electric’s proposed interpretation.

The Commission notes that Section 6w(3)(a) and (b) differ in that, while (a) relies on “base rates, surcharges, and [PSCR] factors,” (b) relies on “projected revenues” net of “projected fuel costs.” Thus, (3)(a) refers to embedded costs and (3)(b) refers to forecasted costs. The Commission finds that Energy Michigan is the only party that attempted to calculate the actual amounts associated with the required subtractions under Section 6w(3)(b) in the way that the statute requires. In his revised testimony, Mr. Jennings thoroughly describes how he used the Aurora model to arrive at forecasted amounts reflecting the required deductions. 3 Tr 480-486; Exhibits EM-11 through EM-15. Mr. Jennings indicates that he relied on “neutral third party assumptions for several of the variables including load forecasts, gas prices and delivered coal prices.” 3 Tr 481. He testifies that for the load growth assumption he relied on MISO’s latest

that case, FERC had previously approved PJM’s forward capacity auction tariff; whereas, in this case, FERC rejected MISO’s forward capacity tariff proposals (the CRS and the PSCM) which, if approved, would have prevented the necessity of setting an SRM charge. *See*, n. 1, *supra*. This proceeding takes place pursuant to a state law, Act 341, that did not exist when Case No. U-17032 was decided. Additionally, the PJM tariff required the setting of an SCM, not an SRM.

⁸ The parties agree that DTE Electric has no off-system energy sales or bilateral contract sales.

electricity demand outlook from the fall of 2016; for the natural gas price he used the New York Mercantile Exchange or NYMEX forward price curve dated June 29, 2017; and for the delivered coal price he used the actual price of consumed coal reported by DTE Electric in its 2016 Form No. 1 filed with FERC adjusted by current escalations for coal and transportation. The Aurora model was used to develop a generation forecast based on DTE Electric's owned and purchased power (relying on a list of PPAs provided by Ms. Wojtowicz). Total fuel costs were also produced by the Aurora model. He calculated the five-year historical average of off-system power sales to be zero based on information supplied by the utility; and he calculated the five-year historical average of ancillary service sales from the Form No. 1. Exhibits EM-11 through EM-15; 3 Tr 480-485. No party disputed the sources of his information. While the model is admittedly data-intensive, the Commission finds the sources that he used for his forecasts and assumptions to be reliable. Mr. Jennings' conclusions were then applied by Mr. Smith.

In Exhibit EM-7, Mr. Smith begins with DTE Electric's projected total capacity costs of \$1,770 million (Exhibit A-14), and applies the deductions for 2018 calculated by Mr. Jennings, to arrive at an SRM capacity annual rate for 2018 of \$97,527/MW-year, or \$267.20/MW-day under Section 6w(3). The Commission finds Mr. Smith's calculations, based on the embedded cost information supplied by DTE Electric and the forecasted amounts supplied by Mr. Jennings, to be credible and consistent with the requirements of Section 6w.⁹ Mr. Smith begins with the total capacity costs supplied by DTE Electric of \$1,770 million (which includes the utility's projected energy sales revenue net of fuel cost shown on Exhibit A-14). Mr. Jennings calculated energy market sales of \$1,369 million, and ancillary service sales of \$16 million, offset by related fuel costs of \$801 million, for a total of \$584 million to be deducted from the total capacity costs per

⁹ The Commission acknowledges that this is not the method that Energy Michigan advocates.

Section 6w(3)(b). Mr. Smith arrives at a net capacity cost of \$1,186 million. He relied on DTE Electric's 2016 SEC Form 10-k for a total capacity supply of 12,158 MW. Dividing the cost by the total capacity produces \$97,527/MW-year, or \$267.20/MW-day. This approach relies on the historical embedded cost of service method that the Commission traditionally uses, and comports with Section 6w, MCL 460.11, and Commission precedent. It results in a capacity charge that is only a few dollars above MISO CONE for 2016, which represents the estimated cost of building a new gas-fired CT (viewed as the lowest cost, supply-side capacity resource).

In addition to selecting this methodology because it is the most consistent with the plain reading of the law, the methodology is also logical. The methodology as set forth in the statute and adopted by the Commission in this order attempts to isolate the production costs associated with capacity by deducting revenues from energy sales (net of fuel costs). There is evidence discussing how certain production costs are attributable to producing lower cost energy, but it can be difficult to measure this "energy value" for each generating unit and the overall portfolio over time. 3 Tr 264-266. Yet it is well established in utility resource planning that it can be cost effective (depending on the utility's overall capacity and energy needs) to build a generator that has higher fixed costs in order to produce energy at a lower cost. And generally speaking, generators with lower energy costs would produce higher net revenue from sales in the market. Thus, the energy sales in the market, less fuel costs, represent in some fashion the energy value of the generation portfolio. It serves as a proxy for determining how to separate out the energy costs from the overall production costs to arrive at a capacity-only cost. The fact that the utility is buying some or all of its energy in the same wholesale market to serve its own customers is immaterial. One could apply this same approach if the generation source had no customers (thus, no energy market purchases) in order to arrive at an estimate of the generator's capacity cost.

Some parties, including the Staff, suggest a bottom-up approach to identify capacity-only costs in order to set the state reliability charge. The end result is similar in terms of the overall charge, but given the statutory guidance in Section 6w(3) the Commission is persuaded by the top-down, embedded cost methodology as presented by Mr. Jennings and Mr. Smith.

For all of these reasons, the Commission finds that the methodology for establishing the state reliability charge supported by the Jennings and Smith testimony is reasonable, appropriate, and consistent with Section 6w. The Commission further finds that the Staff's proposed revenue requirement allocation based on use of 4 CP is the most appropriate as it is the only one supported on the record.

Rate Design

The Commission agrees with the Staff and ABATE that the results of the allocation of capacity related costs in the COSS should be used to set a separate charge for each customer class, and that the SRM charge should not result in alteration of the spread of the total revenue requirement among rate classes. The Commission finds that DTE Electric's rate design proposal for a year round charge comes the closest to mirroring the currently-approved rate design set in Case No. U-18014, and the Commission adopts the utility's proposal, with the modifications necessary to ensure the resulting rate design is reasonable and that no less revenue is collected through demand charges than is collected in current rates. DTE Electric indicates that it designed a rate for each rate class that collects the allocated capacity costs based on the customers' sales determinants, and ensures that any ROA customer subject to the charge will pay the same as a comparable full service customer. 3 Tr 86, 90-91, 161-162; Exhibits A-11, A-12. Capacity is provided year round through service provided by DTE Electric's entire owned and purchased generation portfolio. Full service customers currently pay for capacity year round and the

Commission finds that this billing construct should remain applicable to all customers who are subject to the capacity charge. While the Commission appreciates the Staff's rate design proposal to better align rates to reflect how capacity costs are incurred (primarily to cover the summer peak), this is not the proceeding to modify rate design given the complexity of other issues. This issue could be revisited, as appropriate, in a future rate case.

Section 6w(3) provides that no new capacity charge may be required to be paid before June 1, 2018. The Commission finds that the capacity charge approved by this order shall apply to bundled customers as of that date. Attachment A to this order reflects the application of the decisions made herein to DTE Electric's proposed rate design. Attachment A is merely illustrative, because DTE Electric's pending rate case, Case No. U-18255, will have been completed prior to June 1, 2018, and new costs and rate design will apply to the capacity charge. Attachment A should provide guidance for the utility when the applicable rate design and tariff sheets are required to be filed.¹⁰

Section 6w(4) provides for a true-up of "the difference between the projected net revenues described in subsection (3) and the actual net revenues reflected in the capacity charge." Projected net revenues are addressed in Section 6w(3)(b). Thus, the Commission agrees with the parties that the reconciliation required under Section 6w(4) is limited to the amounts forecasted under Section 6w(3)(b), and should occur in the annual PSCR reconciliation – a currently-existing proceeding that is designed for this precise type of true-up and which already calls for the filing of much of the relevant information in that docket, since fuel costs, market revenues, sales, and PPA expenses are reconciled in PSCR cases. Any difference will be included in the following year's capacity

¹⁰ The Commission finds Kroger's aggregated demand proposal to be outside the scope of this proceeding, which is for establishing the capacity charge.

charge. The Commission does not find, at this time, that the creation of a standalone proceeding is necessary. Among the options of general rate cases (which require a decision within ten months), PSCR plan cases, and PSCR reconciliations, the Commission believes that the annual review of the SRM charge required under Section 6w(5) will be accomplished for DTE Electric. For this reason, the Commission also rejects ABATE's proposal for an update of the charge. If, after more experience with implementation of Section 6w, the Commission finds it necessary, the question of a separate proceeding, even in years when a rate case and a PSCR reconciliation are taking place, may be revisited. In the meantime, the Commission finds that a standalone proceeding need only be commenced if no annual review will take place in a rate case or PSCR case.

Application of the Capacity Charge to Choice Customers

Several intervenors argue that the capacity charge should be levied on the AES and not on choice customers. The Commission finds that a capacity charge shall be levied on the ROA customer receiving the capacity service from the incumbent utility for several reasons. As these intervenors are well aware, Section 201(b)(1) of the Federal Power Act (FPA), 16 USC § 824(b)(1), vests FERC with jurisdiction over wholesale sales of electric energy in interstate commerce; and Section 205(a) of the FPA, 16 USC § 824d(a), confers on FERC the responsibility to ensure that wholesale power sales rates and charges are just and reasonable. *See, Mississippi Power & Light Co v Mississippi ex rel Moore*, 487 US 354, 371; 108 SCt 2428; 101 LEd2d 322 (1988). AESs resell their product to ROA customers. Thus, were the Commission to, pursuant to Section 6w, set a capacity charge to be paid by AESs to incumbent utilities, Section 6w would be a legal nullity subject to immediate federal preemption. The Commission finds it disingenuous to posit that the Legislature mistakenly engaged in the pointless enactment of a statute requiring the

Commission to set a wholesale rate for AESs, when other aspects of Section 6w reveal that the Legislature well understood the role that FERC plays in the MISO process.

Rules of statutory construction provide that the “words used in the statute are the most reliable indicator of the Legislature’s intent and should be interpreted on the basis of their ordinary meaning and the context within which they are used.” *Dep’t of Environmental Quality v Worth Twp*, 491 Mich 227, 237-238; 814 NW2d 646 (2012). Effect should be given to every phrase, clause, and word in the statute “read and understood in its grammatical context,” and the statute “must be read as a whole unless something different was clearly intended.” *Id.* The Commission “must give effect to every word, phrase, and clause in a statute and avoid an interpretation that would render any part of the statute surplusage or nugatory.” *Johnson v Recca*, 492 Mich 169, 177; 821 NW2d 520 (2012). Clearly, this concept extends to an entire statute. The Commission has no jurisdiction over wholesale power sales – a fact that the Commission feels justified in believing the Michigan Legislature to be aware of.

As the rules of statutory construction make clear, the words used in the statute are the most reliable indicator of the intended meaning. The specific language of Section 6w is instructive. Everywhere that the charge is referred to, the Commission is instructed to apply it to full service or AES “load.” Section 6w(3) provides “the charge must be applied to alternative electric load,” and the Commission “shall ensure that the resulting capacity charge does not differ for full service load and alternative electric load.” Section 6w(6) provides that the charge “must be paid for the portion of [the utility’s] load taking service from the AES not covered by capacity.” Section 6w(7) provides that the incumbent utility “shall provide capacity to meet the capacity obligation for the portion of that load taking service from an AES.” And Section 6w(8)(b)(i) provides that the Commission shall “[f]or alternative electric load, require the payment of a capacity charge that is

determined, assessed, and applied in the same manner as under subsection (3) for that portion of the load not covered as set forth” in subsections (6) and (7).

“Load” can be ambiguous, but is generally understood to mean power consumed, as by a device or circuit.¹¹ “To different people in different departments of a utility, load may mean different things; such as active power (in kW), apparent power (in kVA [kilo-volt-ampere]), energy (in kWh), current (in ampere), voltage (in volt), and even resistance (in ohm). In load forecasting, load usually refers to demand (in kW) or energy (in kWh).”¹² What each of these definitions has in common is that they relate to the use of power by the end-user. In addition to Section 6w, “load” is frequently referred to in the choice law, 2001 PA 141 (Act 141), MCL 460.10 et seq., as well. For example, Section 10a(1)(b) of Act 141 requires the Commission to “allocate the amount of load that will be allowed to be served by alternative electric suppliers;” and Section 10bb(3) provides that “‘aggregation’ means the combining of electric loads of multiple retail customers or a single customer with multiple sites.” It is important to remember that the capacity charge is paid by both full service and choice customers. Each use of “load” in both the choice law and in Section 6w refers to power that is consumed by end-users and could often be replaced with the word “customers;” but none of these references to “load” make sense when replaced with “alternative electric supplier.” Nothing may be read into a statute that is not “within the manifest intent of the Legislature as derived from the words of the statute itself.” *Covenant Medical Ctr v State Farm Mut Automobile Ins Co*, 500 Mich 191, ____; 895 NW2d 490,

¹¹ Merriam-Webster Third New International Dictionary (1st ed.).

¹² Hong, T., *et al*, Load Forecasting Case Study, January 15, 2015, NARUC and Eastern Interconnection States’ Planning Council, p. 9-2.

495 (2017) (citation omitted). The Commission finds that to levy the capacity charge on an AES would require reading into Section 6w something that is not there.

In making their argument, the intervenors emphasize the wording of Section 6w(6), which requires an “electric provider” that has previously made a satisfactory demonstration to give notice to the Commission if it expects to be unable to make its demonstration in the next (four-year-out) planning year “and instead expects to pay a capacity charge.” The Commission finds that this sentence must be read in the context of Section 6w as a whole. *Johnson*, 492 Mich at 177. There is no entity that could give such notice other than the AES, since only the AES knows whether it intends to provide its customers with sufficient capacity or intends to provide something less. ROA customers are incapable of providing such notice, even though they are the parties that will be paying the charge.

The Legislature has chosen to make incumbent utilities (which are subject to rate regulation) the capacity suppliers of last resort under Section 6w(7).¹³ The capacity charge is a retail rate, designed to recover the incumbent utility’s cost of providing capacity service, to whatever type of customer load – bundled or choice. The Commission has full discretionary authority to set just and reasonable rates, which are based on a determination of the reasonable costs of doing business and what charges and expenses to allow as costs of operation. MCL 460.6; *Detroit Edison Co v Public Service Comm*, 127 Mich App 499, 524; 342 NW2d 273 (1983). The service is provided by the utility, and thus must be billed by the utility. And this service to provide long-term resource

¹³ The Commission rejects Energy Michigan’s assertion that the capacity charge somehow violates MISO’s tariff by allowing for the transfer of the PRMR obligation. MISO’s Module E-1, 32.0.0, 69A.1.1.1, allows for the transfer of the capacity obligation where it specifies that the “LSE that is the provider of last resort (“POLR”) for the [electric distribution company] EDC area in question will have the obligation to procure capacity for the required PRMR for the remaining Demand” for its area.

adequacy as a default provider is essential to ensuring reliable electric service for all customers. *See*, MCL 460.10(a), (c); MCL 460.10b(3). AESs remain free to contract with their customers in whatever way they wish to mitigate the effect of the capacity charge, when capacity must be supplied by the incumbent utility because the AES has failed to make a satisfactory demonstration. And the Staff correctly points out that if the service were billed to the AES, there would be no way for the Commission to carry out the mandate that the capacity charge paid by bundled load and choice load must not differ, nor any way for the Commission to ensure that the cost to the customer reflects the cost to serve that customer under MCL 460.11.

Finally, the Commission wishes to elaborate on how Section 6w and the choice law are intended to work together. In the two decades since varying forms of retail competition were implemented in states across the country, different models for continued state oversight over the supply and delivery of electricity have emerged. Provision of electricity to end-use customers is comprised of multiple components, including power supply service (e.g., energy and capacity), wires service (e.g., distribution), and other functions associated with the use of electricity, such as energy efficiency programs, providing bill payment assistance to low-income customers, and collection of funds to use for decommissioning of nuclear generating facilities. Even with the advent of retail competition, many states continued to set prices for “default” electricity service, to ensure the availability of reliable power to end-users and meet other objectives including, in some cases, state policy goals. Under Act 141, Michigan left this default service responsibility with the incumbent utility, and the Commission retained jurisdiction to regulate the utility’s rates for electric generation services. The regulated utility was expected to compete with the licensed AESs in the provision of power supply service while at the same time providing wires service, as well as functions like energy efficiency programs, to all end-use customers. In other states with

restructured electricity markets, default power supply services were provided by either the incumbent utility or another entity selected through a competitive bidding process or other mechanism. Some states that required the incumbent utility to fully divest its generation as a competitive function still facilitated and approved procurement activities for energy or capacity to reliably serve some or all end-use customers under their retail choice model (or the transition thereto).

The purchase of energy, capacity, or both, from a third party by the load serving entity, whether it is a vertically integrated utility under state rate regulation, or a competitive retailer or default service provider under a retail choice construct, is a wholesale purchase. But charging customers for the provision of electricity supply and other services associated with customers' electricity use is decidedly a retail activity. States have defined what types of entities provide these services with varying degrees of specificity. In some states, it is only the regulated incumbent utility providing power supply, wires service, and other functions, costs for all of which are recovered through retail rates. In states with retail competition, some of these services, such as power supply, are provided by a third party under market-based prices, or as part of regulated default service, with the wires and other functions associated with electricity use collected through nonbypassable charges flowing through to the customer (either directly or in combination with the energy supply portion).

The provision of power supply service includes both capacity and energy components, among others. Providing long-term "capacity service" to customers to ensure future resource adequacy and provide reasonable assurance that energy will be actually available at any given moment (particularly peak periods) is related to, but notably distinct from, supplying only "energy." These two products or services – energy and capacity – are distinguished from one another in many

wholesale contractual arrangements, such as PPAs and in long-term resource planning. They are measured differently as well – kW versus kWh. The costs to provide capacity and energy are allocated to, and collected from, end-use customers differently through conventional cost allocation and rate design methodologies. And like other services, such as energy efficiency, costs for which are recovered through nonbypassable retail charges assessed to end-use customers, the capacity charge under Section 6w is set by the state as a retail charge assessed to retail customers. This is an acknowledgment that Section 6w creates a new category of default service, namely, the provision of capacity service to choice customers whose energy providers do not secure long-term capacity. The capacity charge established under Section 6w is intended to compensate the default supplier (i.e., the incumbent utility) for providing long-term capacity to customers, including customers of energy providers who supply energy but not long-term capacity. This is just one of many services associated with retail electric service that flows through to end-use customers as a retail charge.

The Commission notes that under Section 6w, the same charge applies to “load” whether it is bundled (receiving all services from the incumbent utility) or unbundled (receiving energy service from an AES that has chosen not to provide long-term capacity). And like many states that designated either the incumbent utility or another entity to provide certain default services, Michigan is certainly within its rights to declare that the rate-regulated incumbent utility, certificated by the Commission to serve a specific service area, shall provide this critical long-term reliability service to designated customers. Of course, with this statutorily-mandated assignment of responsibility for the planning and provision of long-term capacity supplies comes the ability for the utility to charge applicable end-use customers taking this particular service from the utility. Supplying long-term capacity is as fundamental to ensuring electric reliability as

maintaining the distribution system or other critical functions of the utility for which it is compensated by customers using the service.

Non-Voluntary Interruptible Service and Return to Service Provisions

The Commission rejects DTE Electric's forced interruptible service proposal as patently unlawful and discriminatory. MCL 460.10a(3) provides that "The commission shall issue orders to ensure that customers in this state are not switched to another supplier or billed for any services without the customer's consent." DTE Electric's proposal would have ROA customers who request to return to full service being billed for a service they did not consent to take. The proposal violates existing statutes and Commission orders. Had the Legislature intended to force customers of AESs that do not meet capacity requirements to be placed involuntarily on an interruptible tariff, it could have set forth that option. Instead, the utility is being compensated for supplying capacity to all its customers, including those taking the capacity-only service under the SRM. The customers paying an SRM charge should not be treated differently than other customers. Interruptible service shall retain its current voluntary status.¹⁴

MCL 460.10a(7) provides that an ROA customer may subsequently provide notice to the electric utility that it desires to return to full service pursuant to procedures approved by the Commission. Those procedures have been approved in the April 28, May 11, and June 15, 2017 orders in Case No. U-15801, and remain in effect. Thus, DTE Electric's proposed notification requirements are also rejected as inconsistent with currently-approved procedures and unnecessary. The Commission finds that the choice program, including the notification

¹⁴ To be clear, the Commission views opt-in demand response programs, including interruptible service, as scalable and low-cost capacity resources that can be deployed relatively quickly by utilities and AESs to meet capacity needs.

requirements, shall continue to be administered in the same way that it is currently administered. *See*, April 28, May 11, and June 15, 2017 orders in Case No. U-15801. If a capacity charge is levied on an ROA customer that later returns to full service during the year in which the charge is imposed, that customer will commence paying whatever ongoing capacity charge is applicable to full service customers.

THEREFORE, IT IS ORDERED that:

A. If a state reliability mechanism capacity charge is levied on retail open access customers at the conclusion of a show cause proceeding for planning year 2018-2021 it shall be for the first four consecutive planning years and any charge levied at the conclusion of a show cause proceeding shall be levied and applicable for a single year.

B. Beginning June 1, 2018, DTE Electric Company shall implement a state reliability mechanism capacity charge of \$97,527 per megawatt-year, or \$267.20 per megawatt-day, for full service customers, using DTE Electric Company's proposed year-round rate design as modified in accordance with this order, illustrated in Attachment A. Within 30 days of the issuance of the final order in Case No. U-18255, DTE Electric Company shall file tariff sheets substantially similar to those contained in Attachment A. Due to the size of Attachment A, it is not physically attached to the original order contained in the official docket or paper copies of this order, but is electronically appended to this order, which is available on the Commission's website.

C. In DTE Electric Company's annual power supply cost recovery reconciliation proceeding, the amounts forecasted pursuant to MCL 460.6w(3)(b) shall be reconciled against actual amounts, consistent with the requirements of MCL 460.6w(4), as a separate reconciliation.

D. If an alternative electric supplier operating in DTE Electric Company's service territory fails to make a satisfactory demonstration regarding its forward capacity obligations pursuant to

MCL 460.6w(8), the resulting state reliability mechanism capacity charge shall be levied by DTE Electric Company on the retail open access customers of that alternative electric supplier on a pro rata basis.

E. DTE Electric Company is directed to file a standalone contested case for the annual review of its state reliability mechanism capacity charge by April 1, 2018, and annually thereafter, unless the utility expects that the annual review will be taking place in a rate case or power supply cost recovery case that will conclude by December 1 of each year. If the utility does not file a standalone contested case by April 1, 2018, it shall notify the Commission in this docket of the expected approval path and timing for the annual review of the state reliability mechanism capacity charge.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of November 21, 2017.

Kavita Kale, Executive Secretary

M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-1.00
Cancels _____ Revised Sheet No. D-1.00

RATE SCHEDULE NO. D1**RESIDENTIAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for all residential purposes through one meter to a single or double occupancy dwelling unit including farm dwellings. A dwelling unit consists of a kitchen, bathroom, and heating facilities connected on a permanent basis. Service to appurtenant buildings may be taken on the same meter.

This rate is not available for common areas of separately metered apartments and condominium complexes, nor to a separate meter which serves a garage, boat well or other non-dwelling applications.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER DAY:**Full Service Customers:****Power Supply Charges:**

Capacity Energy Charges: **3.471¢** per kWh for the first 17 kWh per day
5.035¢ per kWh for excess over 17 kWh per day

Non-Capacity Energy Charge: **4.564¢ per kWh for all kWh**

Delivery Charges:

Service Charge: \$7.50 per month
Distribution Charge: 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:**Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:**

Capacity Energy Charges: **3.471¢ per kWh for the first 17 kWh per day**
5.035¢ per kWh for excess over 17 kWh per day

Delivery Charges:

Service Charge: \$7.50 per month
Distribution Charge: 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

(Continued on Sheet No. D-2.00)

Issued _____, 2017

D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
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Issued under authority of the
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in Case No. U-18248

M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-2.00
Cancels _____ Revised Sheet No. D-2.00

(Continued from Sheet No. D-1.00)

RATE SCHEDULE NO. D1 (Contd.)

RESIDENTIAL SERVICE RATE

Former Rate D1.3 Full Service Customers:

Power Supply Charges:

Capacity Energy Charges: **3.471¢** per kWh for the first 17 kWh per day
5.035¢ per kWh for excess over 17 kWh per day

Non-Capacity Energy Charge: **4.564¢ per kWh for all kWh**

Delivery Charges:

Service Charge: \$7.50 per month
Distribution Charge: 4.722¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

BILLING FREQUENCY: Based on a nominal 30-day month. See Section C4.5.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

LATE PAYMENT CHARGE: See Section C4.8.

INTERRUPTIBLE SPACE-CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

WATER HEATING SERVICE: Water heating service is available on an optional basis. See Schedule Designation No. D5.

INCOME ASSISTANCE SERVICE PROVISION (RIA): When service is supplied to a Principal Residence Customer, where the household receives a Home Heating Credit (HHC) in the State of Michigan, a credit shall be applied during all billing months. For an income assistance customer to qualify for this credit, the Company shall require annual evidence of the HHC energy draft or warrant. The customer may also qualify for this credit upon confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid.

The monthly credit for the residential Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service and Retail Open Access customers.

Income Assistance Credit: \$(7.50) per customer per month

(Continued on Sheet No. D-2.01)

Issued _____, 2017

D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(Legal Entity Name Change)

HOLD FOR FUTURE USE

Issued February 6, 2013
N. A. Khouri
Vice President
Regulatory Affairs
Detroit, Michigan

Effective for service rendered on
and after January 27, 2012

Issued under authority of the
Michigan Public Service Commission
dated October 20, 2011 in Case No. U-16472
and October 9, 2007 in Case No. U-15152

M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-4.00
Cancels _____ Revised Sheet No. D-4.00

RATE SCHEDULE NO. D1.1**INTERRUPTIBLE SPACE-CONDITIONING SERVICE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to Residential and Commercial customers desiring separately metered interruptible service for central air conditioning and/or central heat pump use. Customers who have more than one heat pump and/or air-conditioning unit which serves their business or home, will not be permitted to have only a portion of their load on the rate, all units will be interrupted upon the signal from the Company. Installations must conform with the Company's specifications. This rate is not available to commercial customers being billed on a demand rate.

HOURS OF SERVICE: 24 hours.

HOURS OF INTERRUPTION: Central air-conditioning and/or heat pump units only will be turned off by the Company by remote control on selected days for intervals of no longer than thirty minutes in any hour for no more than eight hours in any one day. Company interruptions may include interruptions for, but not limited to maintaining system integrity, making an emergency purchase, economic reasons, or when available system generation is insufficient to meet anticipated system load.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER MONTH: For separately metered space-conditioning service.

Full Service Customers:**Residential Power Supply Charges:**

Capacity Energy Charge (June through October): **3.307¢** per kWh for all kWh
Capacity Energy Charge (November through May): **0.770¢** per kWh for all kWh

Non-Capacity Energy Charge: **3.623¢ per kWh for all kWh**

Residential Delivery Charges:

Service Charge (June through October): \$1.95 per month
Distribution Charge (Year-round): 5.576¢ per kWh for all kWh

Commercial Power Supply Charges:

Capacity Energy Charge (June through October): **3.532¢** per kWh for all kWh
Capacity Energy Charge (November through May): **0.963¢** per kWh for all kWh

Non-Capacity Energy Charge: **3.917¢ per kWh for all kWh**

Commercial Delivery Charges:

Service Charge (June through October): \$1.95 per month
Distribution Charge (Year-round): 3.084¢ per kWh for all kWh

(Continued on Sheet No. D-5.00)

Issued _____, 2017

D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

Effective for service rendered on
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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-5.00
Cancels _____ Revised Sheet No. D-5.00

(Continued from Sheet No. D-4.00)

RATE SCHEDULE NO. D1.1 (Contd.) INTERRUPTIBLE SPACE-CONDITIONING SERVICE RATE

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:

Residential Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through October): 3.307¢ per kWh for all kWh

Capacity Energy Charge (November through May): 0.770¢ per kWh for all kWh

Residential Delivery Charges:

Service Charge June through October): \$1.95 per month

Distribution Charge (Year-round): 5.576¢ per kWh for all kWh

Commercial Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through October): 3.532¢ per kWh for all kWh

Capacity Energy Charge (November through May): 0.963¢ per kWh for all kWh

Commercial Delivery Charges:

Service Charge June through October): \$1.95 per month

Distribution Charge (Year-round): 3.084¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge. ***Capacity related surcharges and credits applicable to power supply, excluding PSQR, as approved by the Commission. See Section C8.5***

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' written notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

Issued _____, 2017

D. M. Stanczak

Vice President

Regulatory Affairs

Detroit, Michigan

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in Case No. U-18248

M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-6.00
Cancels _____ Revised Sheet No. D-6.00

RATE SCHEDULE NO. D1.2**RESIDENTIAL TIME-OF-DAY SERVICE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to customers who desire time of day service for their residential dwelling. Customers who select this rate must qualify for the Residential Service Rate D1. This rate is available to no more than 20,000 customers per year.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:**

Capacity Energy Charge (June through October):

9.899¢ per kWh for all On-peak kWh

1.168¢ per kWh for all Off-peak kWh

Capacity Energy Charge (November through May):

7.856¢ per kWh for all On-peak kWh

0.994¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.

Off-Peak Hours: All other kWh used.

Non-Capacity Energy Charge:

3.264¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$7.50 per month

Distribution Charge: 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through October):

9.899¢ per kWh for all On-peak kWh

1.168¢ per kWh for all Off-peak kWh

Capacity Energy Charge (November through May):

7.856¢ per kWh for all On-peak kWh

0.994¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.

Off-Peak Hours: All other kWh used.

(Continued on Sheet No. D-7.00)

Issued _____, 2017

D. M. Stanczak

Vice President

Regulatory Affairs

Detroit, Michigan

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-7.00
Cancels _____ Revised Sheet No. D-7.00

(Continued from Sheet No. D-6.00)

RATE SCHEDULE NO. D1.2 (Contd.)**RESIDENTIAL TIME-OF-DAY SERVICE RATE****Retail Access Service Customers (contd):****Delivery Charges:**

Service Charge: \$7.50 per month
Distribution Charge: 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSQR, as approved by the Commission. See Section C8.5*

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Commencing upon installation of the Time-of-Day meter, service will be provided for twelve continuous months thereafter, with termination upon mutual consent of the Company and the customer.

WATER HEATING SERVICE: Water heating service is available on an optional basis.

INTERRUPTIBLE SPACE CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

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D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-12.01
Cancels _____ Revised Sheet No. D-12.01

RATE SCHEDULE NO. D1.6**RESIDENTIAL SERVICE SPECIAL LOW INCOME PILOT RATE**

AVAILABILITY OF SERVICE: Customers who select this pilot rate must qualify for the Residential Service rate D1 and must have been billed by the Company \$1,700 or less over the last 12 months. To qualify for this pilot rate a customer must also provide annual evidence of receiving a Home Heating Credit (HHC) energy draft or warrant, or must provide confirmation by an authorized State or Federal agency verifying that the customer's total household income does not exceed 150% of the poverty level as published by the United States department of health and human services or if the customer receives any of the following: i) Assistance from a state emergency relief program; ii) Food stamps or iii) Medicaid. Service under this rate shall be limited to 32,000 customers.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire service may be taken.

RATE PER DAY:**Full Service Customers:****Power Supply Charges:**

Capacity Energy Charges: **3.471¢ per kWh for the first 17 kWh per day**
5.035¢ per kWh for excess over 17 kWh per day

Non-Capacity Energy Charge: **4.564¢ per kWh for all kWh**

Delivery Charges:

Service Charge: \$7.50 per month
Distribution Charge: 5.576¢ per kWh for all kWh
Special Low Income Discount: (\$40.00) per month

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge.

Retail Access Service Customers:**Residential Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:**

Capacity Energy Charges: **3.471¢ per kWh for the first 17 kWh per day**
5.035¢ per kWh for excess over 17 kWh per day

(Continued on Sheet No. D-12.02)

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D. M. Stanczak
Vice President
Regulatory Affairs

Detroit, Michigan

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-12.02
Cancels _____ Revised Sheet No. D-12.02

(Continued from Sheet No. D-12.01)

RATE SCHEDULE NO. D1.6 (Contd.) RESIDENTIAL SERVICE SPECIAL LOW INCOME PILOT RATE

Retail Access Service Customers (contd):

Delivery Charges:

Service Charge: \$7.50 per month
Distribution Charge: 5.576¢ per kWh for all kWh
Special Low Income Discount: (\$40.00) per month

Surcharges and Credits: As approved by the Commission. See Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSQR, as approved by the Commission. See Section C8.5*

BILLING FREQUENCY: Based on a nominal 30-day month. See Section C4.5.

CONTRACT TERM: Open order, terminable on three days' notice by either party. If a customer fails to make the required payment on time for three consecutive billing periods that customer shall automatically be removed from this rate. Where special services are required, the term will be as specified in the applicable contract rider.

LATE PAYMENT CHARGE: See Section C4.8.

INTERRUPTIBLE SPACE-CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

WATER HEATING SERVICE: Water heating service is available on an optional basis. See Schedule Designation No. D5.

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D. M. Stanczak
Vice President
Regulatory Affairs
Detroit, Michigan

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-13.00
Cancels _____ Revised Sheet No. D-13.00

RATE SCHEDULE NO. D1.7**GEOHERMAL TIME-OF-DAY RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to residential customers desiring separately metered service for approved geothermal space conditioning and/or water heating. To qualify for the rate the water heater must be for sanitary purposes with the tank size, design and method of installation approved by the company. The space conditioning equipment must be permanently installed.

HOURS OF SERVICE: 24 Hours

CURRENT, PHASE AND VOLTAGE: Same as D1 and D3 Rates

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days notice after the initial 12 months by either party. Where special services are required, the term will be specified on the applicable contract rider.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

LATE PAYMENT CHARGE: See Section C4.8.

RATE PER DAY:**Full Service Customers:****Residential Power Supply Charges:**

Capacity Energy Charge (June through September):

10.170¢ per kWh for all On-peak kWh

1.573¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):

2.870¢ per kWh for all On-peak kWh

1.679¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between **1100** and 1900 hours Monday through Friday.

Off-Peak Hours: All other kWh used.

Non-Capacity Energy Charge:

2.684¢ per kWh for all kWh

Residential Delivery Charges:

Service Charge: 6.70¢ per day

Distribution Charge: 3.919¢ per kWh for all kWh

(Continued on Sheet No. D-13.01)

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Vice President

Regulatory Affairs

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-13.01
Cancels _____ Revised Sheet No. D-13.01

(Continued from Sheet No. D-13.00)

RATE SCHEDULE NO. D1.7 (Contd.)

GEOHERMAL TIME-OF-DAY RATE

Commercial Power Supply Charges:

Capacity Energy Charge (June through September):

2.869¢ per kWh for all On-peak kWh

1.484¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):

1.776¢ per kWh for all On-peak kWh

1.776¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.

Off-Peak Hours: All other kWh used.

Non-Capacity Energy Charge:

2.619¢ per kWh for all kWh

Commercial Delivery Charges:

Service Charge: 6.70¢ per day

Distribution Charge: 1.943¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Residential Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through September):

10.170¢ per kWh for all On-peak kWh

1.573¢ per kWh for all Off-peak kWh

Capacity Energy Charge (October through May):

2.870¢ per kWh for all On-peak kWh

1.679¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.

Off-Peak Hours: All other kWh used.

Residential Delivery Charges:

Service Charge: 6.70¢ per day

Distribution Charge: 3.919¢ per kWh for all kWh

Commercial Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge (June through September):

2.869¢ per kWh for all On-peak kWh

1.484¢ per kWh for all Off-peak kWh

(Continued on Sheet No. D-13.02)

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Cancels _____ Revised Sheet No. D-13.02

(Continued from Sheet No. D-13.01)

RATE SCHEDULE NO. D1.7 (Contd.)

GEOHERMAL TIME-OF-DAY RATE

Capacity Energy Charge (October through May):

1.776¢ per kWh for all On-peak kWh

1.776¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 1100 and 1900 hours Monday through Friday.

Off-Peak Hours: All other kWh used.

Commercial Delivery Charges:

Service Charge: 6.70¢ per day

Distribution Charge: 1.943¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. ***Capacity related surcharges and credits applicable to power supply, excluding PSQR, as approved by the Commission. See Section C8.5***

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Revised Sheet No. D-14.02
Cancels _____ Revised Sheet No. D-14.02

(Continued from Sheet No. D-14.01)

RATE SCHEDULE NO. D1.8 (Contd.)

DYNAMIC PEAK PRICING RATE

CHARGES:

Full Service Residential Customers:

Power Supply Charges:

Capacity Energy Charges: *10.333¢* per kWh for all On-Peak kWh
4.422¢ per kWh for all Mid-Peak kWh
0.876¢ per kWh for all Off-Peak kWh
\$0.91148 per kWh for all kWh during Critical Peak Hours

Non-Capacity Energy Charge: 3.852¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$7.50 per month
Distribution Charge: 5.576¢ per kWh for all kWh

Full Service Secondary Commercial and Industrial Customers:

Power Supply Charges:

Capacity Energy Charges: *9.639* per kWh for all On-Peak kWh
3.688¢ per kWh for all Mid-Peak kWh
0.118¢ per kWh for all Off-Peak kWh
\$0.90357 per kWh for all kWh during Critical Peak Hours

Non-Capacity Energy Charge: 4.643¢ per kWh

Delivery Charges:

Service Charge: \$11.25 per month
Distribution Charge: 3.884¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

SCHEDULE OF HOLIDAYS: See Section C11

CONTRACT TERM: The customer shall contract to remain on this rate for at least 12 months terminable on three days' notice after the initial 12 months by either party.

LATE PAYMENT CHARGE: See Section C4.8.

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Revised Sheet No. D-14.03
Cancels _____ Revised Sheet No. D-14.03

RATE SCHEDULE NO. D1.9**EXPERIMENTAL ELECTRIC VEHICLE RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to residential and commercial customers desiring separately metered service for the sole purpose of charging licensed electric vehicles. Installations must conform to the Company's specifications. Service under this tariff is limited to 5,000 customers. Service on this rate is limited to electric vehicles that are SAE J1772 compliant, and all vehicles shall be registered and operable on public highways in the State of Michigan to qualify for this rate. Low-speed electric vehicles including golf carts are not eligible to take service under this rate even if licensed to operate on public streets. The customer may be required to provide proof of registration of the electric vehicle to qualify for the program.

HOURS OF SERVICE: 24 Hours

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at **120/240** volts, three wire. In certain city districts, alternating current is supplied from a Y connected secondary network from which **120/208** volts, three-wire service may be taken

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified on the applicable contract rider.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

LATE PAYMENT CHARGE: See Section C4.8.

OPTION 1: TIME OF DAY PRICING**Full Service Customers:****Power Supply Charges:****Capacity Energy Charge:**

9.939¢ per kWh for all On-peak kWh

2.485¢ per kWh for all Off-peak kWh

On-Peak Hours: All kWh used between 9 am and 11 pm Monday through Friday.

Off-Peak Hours: All other kWh used.

Non-Capacity Energy Charge:

6.259¢ per kWh for all On-Peak kWh

1.565¢ per kWh for all Off-Peak kWh

Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:**Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:****Capacity Energy Charge:**

9.939¢ per kWh for all On-peak kWh

2.485¢ per kWh for all Off-peak kWh

(Continued on Sheet No. D-14.04)

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Revised Sheet No. D-14.04
Cancels _____ Revised Sheet No. D-14.04

(Continued from Sheet No. D-14.03)

RATE SCHEDULE NO. D1.9 (Contd.)**EXPERIMENTAL ELECTRIC VEHICLE RATE**

On-Peak Hours: All kWh used between 9 am and 11 pm Monday through Friday.

Off-Peak Hours: All other kWh used.

Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

OPTION 2: MONTHLY FLAT FEE (Residential only):

Monthly Fee: \$46.28 per month per vehicle.

Surcharges and Credits: Included in monthly flat fee.

The monthly flat-fee option shall be limited to 250 customers.

SPECIAL TERMS AND CONDITIONS:

Service under this rate must be supplied through a separately metered circuit and approved electric vehicle charging equipment. Installations must conform with the Company's specifications.

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Revised Sheet No. D-15.00
Cancels _____ Revised Sheet No. D-15.00

RATE SCHEDULE NO. D2**RESIDENTIAL SPACE HEATING RATE**

AVAILABILITY OF SERVICE: Available on an optional basis to customers desiring service for all residential purposes to a single or double occupancy dwelling unit including farm dwellings. All of the space heating must be total electric installed on a permanent basis and served through one meter. This rate also available to customers with add-on heat pumps and fossil fuel furnaces served on this rate prior to July 16, 1985. The design and method of installation and control of equipment as adopted to this service are subject to approval by the Company. This rate is also available to customers with electric heat assisted with a renewable heat source.

This rate is available only to dwellings being served on this rate prior to December 17, 2015.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire. Where available, and the demand justifies, three-phase four-wire, Y connected service may be had at 208Y/120 volts nominally. In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volt three-wire service may be taken.

RATE PER DAY:**Full Service Customers:****Power Supply Charges:**

*Capacity Energy Charges: (June through October): 3.446¢ per kWh for the first 17 kWh per day
5.009¢ per kWh for over 17 kWh per day*
*Capacity Energy Charges: (November through May): 1.984¢ per kWh for the first 20 kWh per day
0.671¢ per kWh for over 20 kWh per day*

Non-Capacity Energy Charge: 4.589¢ per kWh for all kWh

Delivery Charges:

Service Charge \$7.50 per month
Distribution Charge: (June through October): 5.576¢ per kWh for all kWh
Distribution Charge: (November through May): 5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8. Applies only to actual consumption and not to the minimum charge

Retail Access Service customers:**Power Supply Charges for Retail Access Customers taking Utility Capacity Service from DTE:**

*Capacity Energy Charges: (June through October): 3.446¢ per kWh for the first 17 kWh per day
5.009¢ per kWh for over 17 kWh per day*
*Capacity Energy Charges: (November through May): 1.984¢ per kWh for the first 20 kWh per day
0.671¢ per kWh for over 20 kWh per day*

(Continued on Sheet No. D-16.00)

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DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-16.00
Cancels _____ Revised Sheet No. D-16.00

(Continued from Sheet No. D-15.00)

RATE SCHEDULE NO. D2 (Contd.)

RESIDENTIAL SPACE HEATING RATE

Delivery Charges:

Service Charge	\$7.50 per month
Distribution Charge: (June through October):	5.576¢ per kWh for all kWh
Distribution Charge: (November through May):	5.576¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. Applies only to actual consumption and not to the minimum charge. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

BILLING FREQUENCY: Based on a nominal 30-day month. See Section C4.5.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

WATER HEATING SERVICE: Water heating service is available on an optional basis. See Schedule Designation No. D5.

LATE PAYMENT CHARGE: See Section C4.8.

INTERRUPTIBLE SPACE-CONDITIONING PROVISION: Rate D1.1 is available on an optional basis.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

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Cancels _____ Revised Sheet No. D-18.00

RATE SCHEDULE NO. D3**GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose, except that this rate is not available for service in conjunction with the Large General Service Rate. At the Company's option, service may be available to loads in excess of 1000 kW for situations where significant modifications to service facilities are not required to serve the excess load. Effective May 27, 1981, this rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:**

Capacity Energy Charge: 3.160¢ per kWh for all kWh

Non-Capacity Energy Charge: 4.583¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$11.25 per month

Distribution Charge: 3.920¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE :

Capacity Energy Charge 3.160¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$11.25 per month

Distribution Charge: 3.920¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

(Continued on Sheet No. D-19.00)

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Cancels _____ Revised Sheet No. D-20.00

RATE SCHEDULE NO. D3.1**UNMETERED GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available at the option of the Company to customers for loads that can be readily calculated and are impractical to meter.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

SERVICE CONNECTIONS: The customer is to furnish and maintain all necessary wiring and equipment, or reimburse the Company therefore. Connections are to be brought to the Company's underground or overhead lines by the customer as directed by the Company, and the final connections to the Company's line are to be made by the Company.

Conversion and/or relocation of existing facilities must be paid for by the customer, except when initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

RATE: *Capacity charge of 2.806¢ and non-capacity charge of 7.671¢ both applied* per month per kilowatthour of the total connected load in service for each customer. Loads operated cyclically will be prorated. This rate is based on 350 hours per month. Proration of cyclical loads will not apply when hours of operation are within 10% of base. Proration may either increase or decrease connected load.

The Company may, at its option, install meters and apply a standard metered rate schedule applicable to the service.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: \$3.00 per month.

CONTRACT TERM: Open order on a month-to-month basis.

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Cancels _____ Revised Sheet No. D-20.01

RATE SCHEDULE NO. D3.2**SECONDARY EDUCATIONAL INSTITUTION RATE**

AVAILABILITY OF SERVICE: Available to Educational Institution (school, college, university) customer locations desiring service at secondary voltage. School shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational training, or occupational school. "College" or "University" shall mean buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:**

Capacity Energy Charge: 1.703¢ per kWh for all kWh

Non-Capacity Energy Charge: 4.589¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$11.25 per month

Distribution Charge: 2.354¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:**Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:**

Capacity Energy Charge: 1.703¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$11.25 per month

Distribution Charge: 2.354¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

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Cancels _____ Revised Sheet No. D-21.00

RATE SCHEDULE NO. D3.3**INTERRUPTIBLE GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to no more than 300 customers desiring interruptible service in conjunction with service taken under the general service rate. Service to interruptible load shall be taken through separately metered circuits and permanently wired. The design and method of installation for application of this rate shall be subject to the approval of the Company. Service to interruptible load may not be transferred to firm service circuits to avoid interruption. At the Company's option, in lieu of the requirement for separately metered circuits and associated interrupted equipment the customer may elect to have interval demand metering installed in order to monitor compliance when called to interrupt load. Customers electing this option will pay a \$25.00 per month service charge instead of the normal \$11.25 per month service charge. This rate is not available for loads that are primarily off-peak, such as outdoor lighting.

HOURS OF SERVICE: 24 hours except as described below.

HOURS OF INTERRUPTION: All electric power delivered hereunder shall be subject to interruption by the Company, by remote control signal. Company interruptions may include interruptions for, but not limited to, maintaining system integrity, making an emergency purchase, economic reasons, or when available system generation is insufficient to meet anticipated system load.

NON-INTERRUPTION PENALTY: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of \$10 per kW for the highest 30-minute kW demand created during the interruption period for all usage above the customer's firm demand, in addition to the prescribed monthly rate. In addition, the interruptible contract capacity of a customer who does not interrupt within one hour following notice shall be immediately reduced by the amount by which the customer failed to interrupt, unless the customer demonstrates that failure to interrupt was beyond its control.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:**

Capacity Energy Charge: 2.640¢ per kWh for all kWh

Non-Capacity Energy Charge: 3.829¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$11.25 per month

Distribution Charge: 3.682¢ per kWh for all kWh

(Continued on Sheet No. D-22.00)

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DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-22.00

(Continued from Sheet No. D-21.00)

RATE SCHEDULE NO. D3.3 (Contd.)

INTERRUPTIBLE GENERAL SERVICE RATE

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge: 2.640¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$11.25 per month

Distribution Charge: 3.682¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: Open order, terminable on three days' written notice by either party. However, where special services are required or where the investment to serve is out of proportion to the revenue derived there from, the contract term will be as specified in the applicable contract rider or Extension of Service Agreement.

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Cancels _____ Revised Sheet No. D-24.00

RATE SCHEDULE NO. D4**LARGE GENERAL SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service for any purpose, except that this rate is not available for service in conjunction with the General Service Rate.

Effective May 27, 1981, this rate is not available to customers desiring service through one meter for residential purposes to a single or double occupancy dwelling unit.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 120/240 volts, three-wire; or three-phase four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase four-wire, Y connected at 480Y/277 volts.

In certain city districts, alternating current is supplied from a Y connected secondary network from which 120/208 volts, single-phase three-wire; or 208Y/120 volts, three-phase four-wire service may be taken.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:**

Capacity Demand Charge: \$12.38 per kW applied to the Monthly Billing Demand

Non-Capacity Demand Charge: \$1.51 per kW applied to the Monthly Billing Demand

Non-Capacity Energy Charges: 4.7806¢ per kWh for the first 200 kWh per kW of billing demand
3.7806¢ per kWh for the excess

Delivery Charges:

Service Charge: \$13.67 per month

Distribution Demand Charge: \$10.79 per kW applied to the Monthly Billing Demand

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:**Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:**

Capacity Demand Charge: \$12.38 per kW applied to the Monthly Billing Demand

Delivery Charges:

Service Charge: \$13.67 per month

Distribution Demand Charge: \$10.79 per kW applied to the Monthly Billing Demand

(Continued on Sheet No. D-25.00)

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-25.00

(Continued from Sheet No. D-24.00)

RATE SCHEDULE NO. D4 (Contd.)

LARGE GENERAL SERVICE RATE

Surcharges and Credits: As approved by the Commission. See Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSKR, as approved by the Commission. See Section C8.5*

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharge.

MONTHLY BILLING DEMAND: Is the greatest of the following:

- (a) The highest single reading of the demand meter during the billing period.
- (b) 5 kW.
- (c) 65% of the highest metered billing demand occurring during the billing months of June through October established during the preceding eleven billing months.

Demand readings shall be rounded to the nearest whole integer.

For customers who guarantee a minimum billing demand of 100 kW, the monthly billing demand in part (a) above shall be the highest 30-minute reading of the demand meter during on-peak hours. (See Section C11), Schedule of on-peak hours.) If the highest 30-minute demand occurs during off-peak hours, then the monthly billing demand shall be the on-peak demand plus one-third of the difference between the on-peak and off-peak maximum demands occurring during the same period.

CONTRACT TERM: Open order, terminable on three days' written notice by either party. Where special services are required, or where the investment to serve is out of proportion to the revenue obtainable therefrom, the term will be as specified in the applicable contract rider.

WATER HEATING SERVICE: Water heating service is available on a separate meter basis.

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RATE SCHEDULE NO. D5**WATER HEATING SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers using hot water for sanitary purposes (other uses subject to the approval of the Company) and taking service under Residential and General Service Rate Schedules. This rate is also available to customers with solar assisted hot water heaters. Company approved waste heat reclamation systems and heat pump water heaters when used in conjunction with an approved electric water heater are also acceptable for use.

Available to customers who desire controlled water heating service to all of the heating elements of electric water heaters, the design and method of installation of which are approved by the Company as adapted to this service, taken through a separately metered circuit to which no other load except water heating may be connected.

HOURS OF SERVICE: The daily use of all controlled water heating service will be controlled by a timer or other monitoring device. Control of service shall not exceed 4 hours per day, said hours to be established from time to time by the Company.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, nominally at 240 volts, three-wire, except that, in certain city districts, alternating current service at 208 volts, nominal, three-wire, or three-phase at the option of the Company.

RATE PER MONTH:**Full Service Customers:****Residential Power Supply Charges:**

Capacity Energy Charge: **2.130¢ per kWh for all kWh**

Non-Capacity Energy Charge: **2.446¢ per kWh for all kWh**

Residential Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 5.576¢ per kWh for all kWh

Commercial Power Supply Charges:

Capacity Energy Charge: **1.860¢ per kWh for all kWh**

Non-Capacity Energy Charge: **2.698¢ per kWh for all kWh**

Commercial Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 2.266¢ per kWh for all kWh

(Continued on Sheet No. D-27.00)

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(Continued from Sheet No. D-26.00)

RATE SCHEDULE NO. D5 (Contd.)

WATER HEATING SERVICE RATE

Retail Access Service Customers:

Residential Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge: 2.130¢ per kWh for all kWh

Residential Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 5.576¢ per kWh for all kWh

Commercial Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge: 1.860¢ per kWh for all kWh

Commercial Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 2.226¢ per kWh for all kWh

SURCHARGES AND CREDITS: As approved by the Commission. Delivery Charges are subject to Section C9.8. *Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5*

CONTRACT TERM: Open order, terminable on three days' notice by either party. Where special services are required, the term will be as specified in the applicable contract rider.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

WATER HEATER REQUIREMENTS FOR WATER HEATER RATE APPLICATION:

<u>Rate Option</u>	<u>Minimum Tank Capacity*</u>	<u>Maximum Total Connected Load**</u>
Residential	30 gallons	5.5 kW
<u>Rate Option</u>	<u>Minimum Tank Capacity*</u>	<u>Maximum Total Connected Load**</u>
Commercial	2 gallons per kW of total connected load 40 gallon minimum	Controlled by minimum tank capacity requirements

*No limitation to number of tanks

**Single or multi-element

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DTE Electric Company
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Cancels _____ Revised Sheet No. D-36.01

RATE SCHEDULE NO. D6.2**PRIMARY EDUCATIONAL INSTITUTION RATE**

AVAILABILITY OF SERVICE: Available to Educational Institution (school, college, university) customer locations desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location. School shall mean buildings, facilities, playing fields, or property directly or indirectly used for school purposes for children in grades kindergarten through twelve, when provided by a public or nonpublic school. School does not include instruction provided in a private residence or proprietary trade, vocational training, or occupational school. "College" or "University" shall mean buildings owned by the same customer which are located on the same campus and which constitute an integral part of such college or university facilities.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:****Capacity**

Demand Charge: **\$12.24** per kW of on-peak billing demand
Energy Charges: **1.602¢** per kWh for all on-peak kWh
1.302¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.083¢ per kWh at transmission level
0.055¢ per kWh at subtransmission level

Non-Capacity

Demand Charge: \$0.07 per kW of on-peak billing demand
Energy Charges: 4.808¢ per kWh for all on-peak kWh
4.508¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.274¢ per kWh at transmission level
0.181¢ per kWh at subtransmission level

(Continued on Sheet No. D-36.02)

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Cancels _____ Revised Sheet No. D-36.02

(Continued from Sheet No. D-36.01)

RATE SCHEDULE NO. D6.2 (Contd.)

PRIMARY EDUCATIONAL INSTITUTION RATE

Delivery Charges:

Primary Service Charge: \$275 per month
Subtransmission and Transmission Service Charge: \$375 per month
Distribution Charges:
For primary service (less than 24 kV) \$3.96 per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.
For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Demand Charge: \$12.24 per kW of on-peak billing demand

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

Delivery Charges:

Primary Service Charge: \$275 per month
Subtransmission and Transmission Service Charge: \$375 per month
Distribution Charges:
For primary service (less than 24 kV) \$3.96 per kW of maximum demand.
For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.
For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

(Continued on Sheet No. D-36.03)

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Cancels _____ Revised Sheet No. D-41.00

(Continued from Sheet No. D-40.00)

RATE SCHEDULE NO. D8 (Contd.)

INTERRUPTIBLE SUPPLY RATE

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Demand Charge: **\$5.76** per kW of on-peak billing demand

Non-Capacity

Demand Charge: \$4.56 per kW of on-peak billing demand

Energy Charges: 4.330¢ per kWh for all on-peak kWh
3.330¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.214¢ per kWh at transmission level

0.141¢ per kWh at subtransmission level

Delivery Charges:

Primary Service Charge: \$275 per month

Subtransmission and Transmission Service Charge: \$375 per month

Distribution Charges:

For primary service (less than 24 kV) \$3.96 per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.

For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Demand Charge: \$5.76 per kW of on-peak billing demand

(Continued on Sheet No. D-42.00)

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Cancels _____ Revised Sheet No. D-42.00

(Continued from Sheet No. D-41.00)

RATE SCHEDULE NO. D8 (Contd.)

INTERRUPTIBLE SUPPLY RATE

Retail Access Service customers (contd):

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

Delivery Charges:

Primary Service Charge: \$275 per month

Subtransmission and Transmission Service Charge: \$375 per month

Distribution Charges:

For primary service (less than 24 kV) \$3.96 per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.

For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

MONTHLY ON-PEAK BILLING DEMAND: The monthly on-peak billing demand shall be the single highest 30-minute integrated reading of the demand meter during the on-peak hours of the billing period. In no event will the monthly on-peak billing demand be less than 65% of the highest monthly on-peak metered billing demand during the billing months of June, July, August, September, and October of the preceding eleven billing months, nor less than 50 kilowatts.

MAXIMUM DEMAND: The maximum demand shall be the highest 30-minute demand created during the previous 12 billing months, including the current month but not less than 50% of contract capacity. This clause is applicable to each voltage level served.

MINIMUM CHARGE: All applicable demand charges plus the service charge and any applicable per meter per month surcharges.

ON-PEAK HOURS: See Section C11.

(Continued on Sheet No. D-43.00)

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Cancels Revised Sheet No. D-47.00

RATE SCHEDULE NO. D10**ALL-ELECTRIC SCHOOL BUILDING SERVICE RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service in school buildings served at primary voltage who contract for a specified installed capacity of not less than 50 kilowatts at a single location provided the space heating and water heating for all or a substantial portion of the premises is supplied by electric service and is installed on a permanent basis.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800 or 13,200 volts at the option of the Company.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:***Capacity*

Energy Charge (June through October): 3.857¢ per kWh for all kWh
Energy Charge (November through May): 2.055¢ per kWh for all kWh

Non-Capacity

Energy Charge (June through October): 5.401¢ per kWh for all kWh
Energy Charge (November through May): 5.401¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$275 per month
Distribution Charge: 1.942¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Energy Charge (June through October): 3.857¢ per kWh for all kWh
Energy Charge (November through May): 2.055¢ per kWh for all kWh

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

Delivery Charges:

Service Charge: \$275 per month
Distribution Charge: 1.942¢ per kWh for all kWh

(Continued on Sheet No. D-48.00)

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Cancels _____ Revised Sheet No. D-48.01

RATE SCHEDULE NO. D11**PRIMARY SUPPLY RATE**

AVAILABILITY OF SERVICE: Available to customers desiring service at primary, sub-transmission, or transmission voltage who contract for a specified capacity of not less than 50 kilowatts at a single location.

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CURRENT, PHASE AND VOLTAGE: Alternating current, three-phase, nominally at 4,800, 13,200, 24,000, 41,570 or 120,000 volts at the option of the Company.

CONTRACT CAPACITY: Customers shall contract for a specified capacity in kilowatts sufficient to meet normal maximum requirements but not less than 50 kilowatts. The Company undertakes to provide the necessary facilities for a supply of electric power from its primary distribution system at the contract capacity. Any single reading of the demand meter in any month that exceeds the contract capacity then in effect shall become the new contract capacity. The contract capacity for customers served at more than one voltage level shall be the sum of the contract capacities established for each voltage level.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:****Capacity**

Demand Charge: **\$11.26** per kW of on-peak billing demand

Non-Capacity

Demand Charge: **\$4.53 per kW of on-peak billing demand**

Energy Charge: 4.330¢ per kWh for all on-peak kWh

3.330¢ per kWh for all off-peak kWh

Voltage Level Discount:

0.214¢ per kWh at transmission level

0.141¢ per kWh at subtransmission level

Delivery Charges:

Primary Service Charge: \$275 per month

Subtransmission and Transmission Service Charge: \$375 per month

Distribution Charges:

For primary service (less than 24 kV) \$3.96 per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.

For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand.

Continued on Sheet No. D-48.02)

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(Continued from Sheet No. D-48.01)

RATE SCHEDULE NO. D11 (Contd.)

PRIMARY SUPPLY RATE

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Demand Charge: \$11.26 per kW of on-peak billing demand

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

Delivery Charges:

Primary Service Charge: \$275 per month

Subtransmission and Transmission Service Charge: \$375 per month

Distribution Charges:

For primary service (less than 24 kV) \$3.96 per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.

For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand.

Substation Credit: Available to customers where service at sub-transmission voltage level (24 to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$0.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of 0.040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

DEFINITION OF CUSTOMER VOLTAGE LEVEL: See Section C13.

(Continued on Sheet No. D-48.03)

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Cancels _____ Revised Sheet No. D-54.00

(Continued from Sheet No. D-53.00)

RATE SCHEDULE NO. E1 (Contd.)

MUNICIPAL STREET LIGHTING RATE

Primary and Secondary Energy

Full Service Customers:

Power Supply Charge:

Capacity Energy Charge 2.167¢ per kWh for all kWh

Non-Capacity Energy Charge 3.160¢ per kWh for all kWh

Delivery System Charge:

2.898¢ per kWh based on the capacity requirements in kilowatts of the equipment assuming 4,200 burning hours per year, adjusted by the ratio of the monthly kWh consumption to the total annual kWh consumption.

Retail Access Service Customers:

Power Supply Charges for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge 2.167¢ per kWh for all kWh

Delivery System Charge:

2.898¢ per kWh based on the capacity requirements in kilowatts of the equipment assuming 4,200 burning hours per year, adjusted by the ratio of the monthly kWh consumption and the total annual kWh consumption.

At the Company's option, service may be metered and the metered kWh will be the basis for billing. Capacity requirements of lighting equipment shall be determined by the Company from manufacturer specifications, but the Company maintains the right to test such capacity requirements from time to time. In the event that Company tests show capacity requirements other than those indicated in manufacturer specifications, the capacity requirements indicated by Company tests will be used. The customer shall not change the capacity requirements of its equipment without first notifying the Company in writing.

BILLING: Billing will be on a monthly basis.

SURCHARGES AND CREDITS: As approved by the Commission. Power Supply Charges are subject to Section C8.5. Delivery Charges are subject to Section C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The contract minimum.

CONTRACT TERM: Contracts will be taken for a minimum of two years, extending thereafter from year to year until terminated by mutual consent or upon 12 months' written notice by either party.

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Cancels _____ Revised Sheet No. D-55.00

RATE SCHEDULE NO. E2**TRAFFIC AND SIGNAL LIGHTS**

AVAILABILITY OF SERVICE: Available to municipalities or other public authorities, hereinafter referred to as customer, operating lights for traffic regulation or signal lights on streets, highways, airports or water routes, as distinguished from street lighting. Customers desiring service under Rate Schedule No. E2 are free to determine the appropriate light source for their application including incumbent and emerging technologies (including LEDs). Customers must supply adequate documentation of the wattage of the light source that will be subject to the approval of the Company.

HOURS OF SERVICE: 24 hours.

CURRENT, PHASE AND VOLTAGE: Alternating current, single-phase, at 120 volts two-wire.

SERVICE CONNECTIONS: The customer is to furnish and maintain all necessary wiring and equipment, including lamps and lamp replacements, or reimburse the Company therefore, except that the Company will furnish, install and maintain such span poles and messenger cable as may be needed to support the traffic or signal lights of the overhead type. Connections are to be brought to the Company's underground and overhead lighting mains by the customer as directed by the Company, and the final connection to the Company's main is to be made by the Company.

Conversion and/or relocation of existing facilities must be paid for by the customer, except when initiated by the Company. The detailed provisions and schedule of such charges will be quoted upon request.

RATES: *Capacity charge of 1.75¢ and non-capacity charge of 5.85¢* per month per kilowatthour of the total connected traffic light or signal light load in service for each customer.

Total connected wattage will be reckoned as of the fifteenth of the month. Lamps removed from service before the fifteenth or placed in service on or after the fifteenth will be omitted from the reckoning; conversely, lamps placed in service on or before the fifteenth of the month or removed from service after the fifteenth of the month will be reckoned for a full month. Lamps operated cyclically, on and off, will be reckoned at one-half wattage and billed for a full month. No such reduction of reckoned wattage will be allowed for lamps in service but turned off during certain hours of the day.

The Company may, at its option, install meters and apply a standard metered rate schedule applicable to the service.

SURCHARGES AND CREDITS: As approved by the Commission. See Sections C8.5 and C9.8.

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: \$3.00 per customer per month.

CONTRACT TERM: Open order on a month-to-month basis. However, the Company shall not withdraw service, and the customer shall not substitute another source of service in whole or in part, without twelve months' written notice to the other party.

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STANDARD CONTRACT RIDER NO. 1.1**ALTERNATIVE ELECTRIC METAL MELTING**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	Large General Service Rate	Schedule Designation D4
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11

Customers operating electric furnaces for metal melting or for the reduction of metallic ores and/or electric use consumed in holding operations and taking their supply at any of the above rates and who provide special circuits so that the Company may install necessary meters, may take service under this Rider subject to Section C4.4 - Choice of Rates..

Customers shall be subject to immediate interruption on short-term notice if necessary, in order to maintain system integrity. The customer shall be provided, whenever possible, notice in advance of probable interruption and estimated duration of interruption.

Non-Compliance Penalty: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of \$10 per kW for the highest 30-minute kW demand created during the interruption period in addition to the prescribed monthly rate.

Electric energy from any facilities, other than the Company's, except for on-site generation installed prior to January 1, 1986, will be used to first reduce the sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No. 3, No. 5 or No. 6.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:*****Capacity*****Energy Charges:**

For service at secondary voltage level (less than 4.8 kV)

1.532¢ per kWh for the first 100 hours use of maximum demand

0.836¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)

1.412¢ per kWh for the first 100 hours use of maximum demand

0.779¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)

1.404¢ per kWh for the first 100 hours use of maximum demand

0.758¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)

1.352¢ per kWh for the first 100 hours use of maximum demand

0.725¢ per kWh for the excess

Non-Capacity***Energy Charges:***

For service at secondary voltage level (less than 4.8 kV)

7.311¢ per kWh for the first 100 hours use of maximum demand

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

Revised Sheet No. D-57.00
Cancels _____ Revised Sheet No. D-57.00

3.988¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)

6.739¢ per kWh for the first 100 hours use of maximum demand

3.715¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)

6.698¢ per kWh for the first 100 hours use of maximum demand

3.619¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)

6.453¢ per kWh for the first 100 hours use of maximum demand

3.459¢ per kWh for the excess

(Continued on Sheet No. D-58.00)

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-58.00

(Continued from Sheet No. D-57.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.)

ALTERNATIVE ELECTRIC METAL MELTING

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric) Energy Charges:

For service at secondary voltage level (less than 4.8 kV)
1.532¢ per kWh for the first 100 hours use of maximum demand
0.836¢ per kWh for the excess

(Continued on Sheet No. D-59.00)

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-59.00

(Continued from Sheet No. D-58.00)

STANDARD CONTRACT RIDER NO. 1.1 (Contd.)

ALTERNATIVE ELECTRIC METAL MELTING

Retail Access Service Customers (contd):

For service at primary voltage level (4.8 kV to 13.2 kV)
1.412¢ per kWh for the first 100 hours use of maximum demand
0.779¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
1.404¢ per kWh for the first 100 hours use of maximum demand
0.758¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
1.352¢ per kWh for the first 100 hours use of maximum demand
0.725¢ per kWh for the excess

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-61.00

STANDARD CONTRACT RIDER NO. 1.2**ELECTRIC PROCESS HEAT**

APPLICABLE TO:	General Service Rate	Schedule Designation D3
	Large General Service Rate	Schedule Designation D4
	Interruptible Supply Rate	Schedule Designation D8
	Primary Supply Rate	Schedule Designation D11

Customers using electric heat as an integral part of a manufacturing process, or electricity as an integral part of an anodizing, plating or coating process, and taking their supply at any of the above rates and who provide special circuits to accommodate separate metering may take service under this Rider subject to Section C4.4- Choice of Rates.

This Rider is available only to customers who add new load on or after May 1, 1986 to engage in the above described processes and to customers served on R1.1 prior to May 1, 1986 and engaged in the above described processes.

Customers shall be subject to immediate interruption on short-term notice if necessary, in order to maintain system integrity. The customer shall be provided, whenever possible, notice in advance of probable interruption and estimated duration of interruption.

Non-Compliance Penalty: A customer who does not interrupt within one hour following a system integrity interruption order shall be billed at the rate of \$10 per kW for the highest 30-minute kW demand created during the interruption period in addition to the prescribed monthly rate.

Electric energy from any facilities, other than the Company's, except for on-site generation installed prior to January 1, 1986, will be used to first reduce the sales on this rider. Standby service will not be billed at this rider, but must be taken under Riders No. 3, No. 5 or No. 6.

RATE PER MONTH:**Full Service Customers:****Power Supply Charges:****Capacity****Energy Charges:**

For service at secondary voltage level (less than 4.8 kV)

1.532¢ per kWh for the first 100 hours use of maximum demand

0.836¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)

1.412¢ per kWh for the first 100 hours use of maximum demand

0.779¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)

1.404¢ per kWh for the first 100 hours use of maximum demand

0.758¢ per kWh for the excess

(Continued on Sheet No. D-62.00)

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-62.00

(Continued from Sheet No. D-61.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.)

ELECTRIC PROCESS HEAT

For service at transmission voltage level (120 kV and above)
1.352¢ per kWh for the first 100 hours use of maximum demand
0.725¢ per kWh for the excess

Non-Capacity

Energy Charges:

For service at secondary voltage level (less than 4.8 kV)
7.311¢ per kWh for the first 100 hours use of maximum demand
3.988¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
6.739¢ per kWh for the first 100 hours use of maximum demand
3.715¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
6.698¢ per kWh for the first 100 hours use of maximum demand
3.619¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
6.453¢ per kWh for the first 100 hours use of maximum demand
3.459¢ per kWh for the excess

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Energy Charges:

For service at secondary voltage level (less than 4.8 kV)

1.532¢ per kWh for the first 100 hours use of maximum demand

0.836¢ per kWh for the excess

(Continued on Sheet No. D-63.00)

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DTE Electric Company
(To implement Capacity Charge)

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(Continued from Sheet No. D-62.00)

STANDARD CONTRACT RIDER NO. 1.2 (Contd.)

ELECTRIC PROCESS HEAT

Retail Access Service Customers:

For service at primary voltage level (4.8 kV to 13.2 kV)
1.412¢ per kWh for the first 100 hours use of maximum demand
0.779¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
1.404¢ per kWh for the first 100 hours use of maximum demand
0.758¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
1.352¢ per kWh for the first 100 hours use of maximum demand
0.725¢ per kWh for the excess

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

Delivery Charges:

Distribution Charges:

For service at secondary voltage level (less than 4.8 kV)
2.035¢ per kWh for the first 100 hours use of maximum demand
2.035¢ per kWh for the excess

For service at primary voltage level (4.8 kV to 13.2 kV)
1.455¢ per kWh for the first 100 hours use of maximum demand
1.455¢ per kWh for the excess

For service at subtransmission voltage level (24 kV to 41.6 kV)
0.497¢ per kWh for the first 100 hours use of maximum demand
0.497¢ per kWh for the excess

For service at transmission voltage level (120 kV and above)
0.270¢ per kWh for the first 100 hours use of maximum demand
0.270¢ per kWh for the excess

Substation Credit: Available to customers where service at sub-transmission voltage (24 kV to 41.6 kV) or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of 0.3¢/kWh will be applied to the energy use associated with the first 100 hours use of maximum demand.

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-64.00)

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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Cancels _____ Revised Sheet No. D-70.00

(Continued from Sheet No. D-69.00)

**STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND
STATION POWER STANDBY SERVICE
RATES:**

Power Supply Charges:

Monthly Generation Reservation Fee:

Capacity

\$1.13 times the standby contract capacity in kW, per month.

Non-Capacity

\$0.81 times the standby contract capacity in kW, per month.

Demand Charges:

A daily on-peak standby demand charge will be charged based on the determination of standby power coincident with the daily highest 30-minute integrated reading during on-peak hours of the demand meters which measure the total load served by the Company. Standby demand equals standby contract capacity minus the 30-minute output toward internal load of the customer's generator less any reduction the customer can accomplish by reducing the supplemental demand below the maximum monthly on peak supplemental demand, but not less than zero, and not greater than the total load served by the Company.

The daily on-peak backup demand charge is:

Capacity

\$2.97 per kW per day during periods other than maintenance periods as defined below.

The daily on-peak backup demand charge is ***\$1.68*** per kW per day during maintenance periods as defined below.

Non-Capacity

\$2.12 per kW per day during periods other than maintenance periods as defined below.

The daily on-peak backup demand charge is \$1.20 per kW per day during maintenance periods as defined below.

Energy Charge:

An energy charge for back-up and maintenance power will be charged based on standby contract capacity less the output toward internal load of the customer's generator, but not less than zero. For customers served on supplemental rate schedules D4, D11, D6.2 and D8, the energy charge will be 4.330¢ per kWh, plus appropriate power supply credits, including but not limited to ***an*** off-peak credit ***of 1.00¢ per kWh***, and voltage level ***credits of 0.141¢ per kWh for subtransmission and 0.214¢ per kWh for transmission***. For customers served on supplemental rate schedules D3, D3.2 and D3.3, the energy charge will be the applicable power supply energy charge specified in the customer's supplemental rate.

The energy as stated herein, is also subject to provisions of the PSCR clause and other Surcharges and Credits Applicable to Power Supply as approved by the Commission. See Section C8.5.

(Continued on Sheet No. D-71.00)

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M.P.S.C. No. 1 - Electric
DTE Electric Company
(To implement Capacity Charge)

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(Continued from Sheet No. D-73.01)

STANDARD CONTRACT RIDER NO. 3 (Contd.) PARALLEL OPERATION AND STANDBY SERVICE AND STATION POWER STANDBY SERVICE

APPLICABLE TO: General Service Rate Schedule Designation D3

HOURS OF SERVICE: 24 hours, subject to interruption by agreement, or by advance notice.

CONTRACT CAPACITY: Customers shall initially contract for a specified capacity in kilowatts sufficient to meet expected maximum requirements. Any single reading of the demand meter or aggregation of demand meters recording inflow to the facility in any month that exceeds the contract capacity then in effect shall become the new contract capacity.

METERING REQUIREMENTS: All customers taking service under this rider must install the necessary equipment to permit metering. The Company will supply the metering equipment. Service to the customer under this Rider will be metered with demand-recording equipment. Any equipment installed by the customer necessary to accommodate the Company's metering equipment must be approved by the Company and must be compatible with the Company's Meter Data Acquisition System.

RATES:

Power Supply:

Non-Capacity

An administrative charge of 1.619¢/kWh

Station Power Energy Service will be priced on the basis of the real time MISO locational hourly marginal energy price for the Company-appropriate load node. In addition to the MISO locational hourly marginal energy price the following charges will also apply:

0.733¢/kWh for MISO network transmission costs and MISO energy market costs plus,
Surcharges and Credits Applicable to Power Supply, excluding PSCR, as approved by the Commission. See Section C8.5

Service Charge:

Primary Service Charge:	\$275 per month
Subtransmission and Transmission Service Charge:	\$375 per month

LATE PAYMENT CHARGE: See Section C4.8

CONTRACT TERM: The contract term is from month to month until terminated by mutual consent or on one month written notice by either party.

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DTE Electric Company
(To implement Capacity Charge)

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STANDARD CONTRACT RIDER NO. 7**GREENHOUSE LIGHTING SERVICE**

APPLICABLE TO: General Service Rate
Large General Service Rate

Schedule Designation D3
Schedule Designation D4

Available on an optional basis to customers desiring high intensity discharge lighting service for greenhouses or other environmentally controlled growing facilities as a daylight supplement. All lighting on this rider shall be separately metered. The customer will furnish, install, own, and maintain all equipment comprising the lighting system. No other device may be connected to this circuit except for controls, lighting and associated equipment.

HOURS OF SERVICE: Dusk to dawn service for circuits controlled by photo-sensitive or clock timing devices.

CURRENT, PHASE AND VOLTAGE: Alternating current, 60 hertz, single phase, nominally at 120/240 volts, three-wire; or three-phase, four-wire, Y connected at 208Y/120 volts; or under certain conditions three-phase, four-wire, Y connected at 480Y/277 volts.

RATE PER MONTH:**Full Service Customers:****Power Supply Charge:**

Capacity Energy Charge: 1.806¢ per kWh for all kWh

Non -Capacity Energy Charge: 2.618¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 2.536¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:

Power Supply Charge for Retail Access Service Customers taking Utility Capacity Service from DTE:

Capacity Energy Charge: 1.806¢ per kWh for all kWh

Delivery Charges:

Service Charge: \$1.95 per month

Distribution Charge: 2.536¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-85.00)

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DTE Electric Company
(To implement Capacity Charge)

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STANDARD CONTRACT RIDER NO. 8**COMMERCIAL SPACE HEATING**

APPLICABLE TO: General Service Rate
Large General Service Rate

Schedule Designation D3
Schedule Designation D4

Available on an optional basis to customers desiring service for commercial space conditioning furnished through separately metered circuits to which no other device except electric space heating, water heating, air conditioning, or humidity control equipment may be connected and provided that all of the space heating must be either total electric or an electric heat pump supplemented by a fossil fuel furnace installed on a permanent basis. The customer must provide special circuits, the design and method of installation of which are approved by the Company as adapted to this service.

Electric space heating under the terms of this rider will be considered to include heating by light systems, provided the primary means of space heating at the time of maximum requirements will be furnished by the lighting system, with the balance furnished by supplementary electric heating equipment. After June 15, 1970, under the authority of the Commission in Case U-3189, service to facilities which heat by lighting is not available for premises not previously qualified for service hereunder.

RATE PER MONTH:**Full Service Customers:****Power Supply Charge:**

Capacity Energy Charge: 4.946¢ per kWh for all kWh, except that during the billing months of November through May, usage in excess of 1,000 kWh per month shall be billed at 1.678¢ per kWh.

Non-Capacity Energy Charge: 3.940¢ per kWh

Delivery Charges:

Service Charge: \$11.25 per month
Distribution Charge: 4.252¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8.

Retail Access Service Customers:**Power Supply Charge for Retail Access Service Customers taking Utility Capacity Service from DTE:**

Capacity Energy Charge: 4.946¢ per kWh for all kWh, except that during the billing months of November through May, usage in excess of 1,000 kWh per month shall be billed at 1.678¢ per kWh.

Delivery Charges:

Service Charge: \$11.25 per month
Distribution Charge: 4.252¢ per kWh for all kWh

Surcharges and Credits: As approved by the Commission. See Section C9.8.

(Continued on Sheet No. D-87.00)

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(To implement Capacity Charge)

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(Continued from Sheet No. D-86.00)

STANDARD CONTRACT RIDER NO. 8 (Contd.)

COMMERCIAL SPACE HEATING

LATE PAYMENT CHARGE: See Section C4.8.

MINIMUM CHARGE: The Service Charge plus any applicable per meter per month surcharges.

CONTRACT TERM: This rate is made effective by a rider modifying the contract form prescribed for one of the applicable filed rates listed above. The contract term is co-extensive with the contract term of the applicable filed rate under which service is being taken.

INSULATION STANDARDS FOR ELECTRIC HEATING: See Section C4.9.

OPTIONAL PROVISION FOR CERTAIN COMMON AREA ACCOUNTS: Electric heating and common area usage of apartment or condominium accounts supplied through a single meter and billed under the terms of the Domestic Space Heating Rate D2 prior to September 28, 1978 may be billed under this provision without the necessity of separate metering if an initial block of kilowatthours is billed at the current General Service Rate D3. This initial block of kilowatthours will be calculated each November by averaging the usage during the previous billing months of June through October.

Full Service Customers:

Usage in excess of the initial block of kilowatthours per month shall be billed at a power supply capacity charge of **4.946¢ and a non-capacity charge of 3.940¢** per kilowatthour during the billing months of June through October, and a **capacity charge of 1.678¢ and a non-capacity charge of 3.940** per kilowatthour during the billing months of November through May. A Distribution charge of 4.252¢ per kWh for all kWh shall also be applied. The only service charge to be billed to a customer utilizing this provision will be the D3 service charge.

Retail Access Service Customers:

Power Supply Charge for Retail Access Service Customers taking Utility Capacity Service from DTE:

For Retail Access customers taking capacity service from DTE, usage in excess of the initial block of kilowatthours per month shall be billed at a power supply capacity charge of 4.946¢ per kilowatthour during the billing months of June through October, and a power supply capacity charge of 1.678¢ per kilowatthour during the billing months of November through May.

For all retail access customers, usage in excess of the initial block of kilowatthours per month shall be billed a distribution charge of 4.252¢ per kWh for all kWh.

SUPPLEMENTAL SPACE HEATING PROVISION: This provision is available to customers taking service under the General Service Rate D3 or the Large General Service Rate D4 who purchase energy for a minimum of 10 kW of supplemental, permanently installed, electric space heating equipment. To qualify for this provision, a customer must certify in writing the amount of permanently installed space heating equipment, subject to inspection at the option of the Company, and have the said equipment on separately metered circuits to which no other device is connected. Section C4.9, Insulation Standards for Electric Heating, will not apply to this provision.

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DTE Electric Company
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(Continued from Sheet No. D-90.00)

STANDARD CONTRACT RIDER NO. 10 (Contd.)

INTERRUPTIBLE SUPPLY RIDER

RATE PER MONTH:

Full Service Customers:

Power Supply Charges:

Capacity

Energy Charge:

An administrative charge of **1.516¢/kWh**

Non-Capacity

The Energy charge will be the real time MISO locational hourly marginal energy price for the DTE Electric-appropriate load node. In addition to the MISO locational hourly marginal energy price the following charges will also apply:

0.733¢/kWh for MISO network transmission costs and MISO energy market costs plus,

An administrative charge of 0.103¢/kWh plus,

A voltage level service adder of 1% for transmission, 2% for subtransmission and 7% for primary.

Delivery Charges:

Primary Service Charge: \$275 per month

Subtransmission and Transmission Service Charge: \$375 per month

Distribution Charges:

For primary service (less than 24kV) \$3.96 per kW of maximum demand.

For service at subtransmission voltage (24 to 41.6 kV) \$1.54 per kW of maximum demand.

For service at transmission voltage (120 kV and above) \$0.73 per kW of maximum demand

Substation Credit: Available to customers where service at subtransmission voltage level or higher is required, who provide the on-site substation including all necessary transforming, controlling and protective equipment. A credit of \$.30 per kW of maximum demand shall be applied to the maximum demand charge. A credit of .040¢ per kWh shall be applied to the energy charge where the service is metered on the primary side of the transformer.

Surcharges and Credits: As approved by the Commission. See Sections C8.5 and C9.8

Retail Access Service Customers:

Capacity (Only applicable to Retail Access Service Customers receiving Utility Capacity Service from DTE Electric)

Energy Charge:

An administrative charge of 1.516¢/kWh plus,

Capacity related surcharges and credits applicable to power supply, excluding PSCR, as approved by the Commission. See Section C8.5

(Continued on Sheet No. D-92.00)

Issued _____, 2017

D. M. Stanczak

Vice President

Regulatory Affairs

Detroit, Michigan

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RETAIL ACCESS SERVICE RIDER – RIDER EC2

E1 INTRODUCTION

This Rider is designed to express the terms and conditions associated with retail access service in the DTE Electric Choice Program, as well as provide information regarding the roles of the various market participants. This Rider includes the following sections:

Introduction and Definitions	Sec. 1
Customers	Sec. 2 - 8
Alternative Electric Suppliers	Sec. 9 – 16
Marketers	Sec. 17 - 18

- In the DTE Electric Choice Program, DTE Electric will maintain a relationship and interact with at least three separate participants: The Customer, the Alternative Electric Supplier and the Marketer. One entity may be responsible for both the Alternative Electric Supplier and Marketer roles. DTE Electric has separately defined the retail and wholesale functions behind electric supply in a competitive environment.

E1.1 Availability

Available for metered service in conjunction with Rate Schedule Nos. D1 through R16, excluding R3, when the customer wishes to take Power Supply Service or Energy Service from an Alternative Electric Supplier, unless the customer is currently participating in any DTE tariffs, programs or contractual relationships that limit their ability to to elect Retail Access Service. This Rider is not available for unmetered service.

E1.2 The Customer Role

The Customer is the end-user of Power at one or more locations in the State of Michigan who has facilities connected to the DTE Electric distribution system. Under retail access service, the Customer will conduct transactions with at least two entities – DTE Electric and an Alternative Electric Supplier. The Customer is responsible for choosing an Alternative Electric Supplier.

The Customer must already be connected to the DTE Electric Distribution System as a Full Service Customer or meet the requirements for new Customers connecting to the DTE Electric Distribution System. All Primary Customers and Secondary Customers with Customer Service Capacities greater than 300 kW must execute Customer Distribution Agreements with DTE Electric.

E1.3 DTE Electric Role

For Retail Access Service, DTE Electric is the provider of retail delivery service from the Point of Receipt to the Point of Delivery, distributing electric power within DTE's Electric service territory under the jurisdiction of the Commission. DTE Electric also provides Utility Capacity Service to Retail Access Customers requiring Capacity Service from the Company.

E1.4 The Alternative Electric Supplier Role

An Alternative Electric Supplier is an entity that has obtained all the necessary legal approvals to sell retail electricity in Michigan.

The Alternative Electric Supplier buys products and services needed to provide power supply or energy to Customers, combines these products and services in different marketing packages, and sells the packages to Customers. Alternative Electric Suppliers must meet all applicable statutory and regulatory requirements of Michigan and Federal law.

E1.5 THE MARKETER ROLE

The Marketer is an entity that acts as a wholesale supplier; takes title to power and has FERC authorization to market energy services. FERC authorization allows the Marketer to use transmission systems to move power from the generator(s) to the distribution system. The Marketer is either a FERC-authorized power Marketer or a utility. As defined by FERC, in the context of this Rider, the Marketer is responsible for all Transmission-related responsibilities related to serving the retail access customers served by its supply. These include: scheduling energy, obtaining ancillary services, and paying energy imbalance charges. The Alternative Electric Supplier and Marketer functions may be handled by one entity or may be performed by different parties. Either way, both the Alternative Electric Supplier role and the Marketer role must be performed to complete delivery to a Customer.

E1.6 Definitions

Advanced Electric Meter means a digital electric meter that has the capability to measure, record and transmit energy usage in kWh, 30-minute integrated energy demand in kW and 30-minute integrated reactive demand in kVAR via a secure communication network.

Aggregator means an entity that combines the energy consumption of multiple Customers for the purpose of meeting minimum load criteria necessary for retail access service.

Alternative Electric Supplier (AES) means an entity that has obtained all the necessary approvals to sell retail electricity in Michigan, and is licensed by the Michigan Public Service Commission. An AES does not physically deliver electricity directly to retail Customers in the state.

Automated Metering Infrastructure (AMI) meter means a digital electric meter that has the capability to measure and record energy usage in kWh and energy demand in kW and transmit that data via secure radio frequency to DTE Electric.

Capacity Service means supplying sufficient generating resources that have the capability to serve the power requirements of Customers.

CPNode means a MISO-designated Commercial Pricing Node that is used to aggregate hourly meter usage data by Marketer to support settlement in the MISO hourly energy market.

Commission means the Michigan Public Service Commission.

Customer means, for purposes of retail access service, an entity with electrical load facilities connected to the DTE Electric Distribution System that purchases or receives Power Supply Service or Energy Service from an Alternative Electric Supplier and which Power Supply Service or Energy Service is delivered to its Location(s) pursuant to this Rider. All Customers, regardless of the voltage level of the service, are considered to be connected to the DTE Electric Distribution System.

Customer Service Capacity means the load carrying capability of the DTE Electric metering installation at the Customer's site, based on the thermal limits of the meter and any associated transformers.

Demand means the amount of power required to meet the Customer's load, generally expressed in kilowatts or megawatts, at a given instant or averaged over a designated interval of time.

DTE Electric's Distribution System means facilities operated by DTE Electric for the purpose of distributing electric power within DTE's Electric service territory, which are subject to the jurisdiction of the Commission.

Distribution Contract Capacity means the load carrying capacity in kilowatts of the DTE Electric Distribution System necessary to meet a Customer's maximum load requirements at a particular Location served under this Rider.

Distribution Point of Delivery means the point of interconnection between the DTE Electric Distribution System and the Customer's service location.

Distribution Point of Receipt means the point of interconnection between the ITC Transmission and DTE Electric Distribution Systems.

Effective Date is the date at which responsibility for providing Power Supply Service, Utility Capacity Service or Energy Service to a Customer transfers from the current provider to a new provider. The transfer occurs at the beginning (00:01 hours) of the Effective Date.

Energy in the context of this document the word energy refers to "electrical energy" and is measured in kilowatt-hours.

Energy Service means supplying the Power requirements of a Customers load.

Full Service means the provision of regulated electric service including Power Supply Service, transmission and distribution services; each provided by DTE Electric.

International Transmission Company (ITC) Transmission System means facilities operated by ITC for the purpose of transmitting electric power within the DTE Electric service territory which are subject to the jurisdiction of the Federal Energy Regulatory Commission.

Legally Authorized Person means a person that has legal documentation or legal authority to enroll a Residential or Non-Residential customer into a binding contract. A Legally Authorized Person includes, but is not limited to, an individual with power of attorney or a corporate agent authorized to enter into contracts on a corporation's behalf.

Load means any end-use device drawing energy from the electric system.

Location means each Customer facility whether owned or leased.

Marketer means an entity that:

- A generates, brokers, markets or otherwise procures power to be supplied to ITC at the Transmission Point of Receipt, obtains transmission services and with whom a Customer's Alternative Electric Supplier has arranged for the receipt of Power,
- B satisfies all applicable statutory and regulatory requirements of Michigan and Federal law, and
- C satisfies all applicable reciprocity requirements set forth in this Rider.

MDMA or Meter Data Management Agent is the party responsible for reporting a Marketer's aggregated customer loads, with distribution losses, to MISO to support settlement in the MISO hourly energy market.

Midcontinent Independent System Operator (Midcontinent ISO or MISO) Tariff means the **Midcontinent** ISO Tariff on file with the Federal Energy Regulatory Commission, as amended from time to time. The Tariff governs MISO's provision of regional transmission service and MISO's operation of an energy and ancillary services market.

MISO means the **Midcontinent** Independent System Operator

Power means a combination of the electric demand and energy requirements of the Customer.

Power Supply Service means supplying both Capacity Service and Energy Service.

Reactive Demand means the amount of reactive power required to meet the Customer's Load, generally expressed in kilovolt-amperes reactive (kVAR), at a given instant or averaged over a designated interval of time.

Sink means a unique four-character code assigned to a Marketer's Transmission Service Agreement by ITC which identifies a load.

Standard Demand/Energy Meter means an analog meter that has the capability to measure and record energy usage in kWh and energy demand in kW for customers taking service under certain rate schedules.

State Reliability Mechanism ensures reliability of the electric grid in Michigan and requires all electric providers (including AESs) to annually demonstrate to the Commission that they have sufficient capacity resources to serve their electric load in the planning period four years into the future.

State Reliability Mechanism Capacity Charge is a retail rate designed to recover DTE Electric's cost of providing capacity service.

Transmission Point of Delivery means the point of interconnection between the ITC Transmission and DTE Electric Distribution Systems.

Transmission Point of Receipt means the point on the ITC Transmission System where Power is received by ITC for delivery to the Transmission Point of Delivery.

CUSTOMER SECTION

E2 TERMS AND CONDITIONS OF SERVICE

E2.1 This Retail Access Service Rider sets forth the terms and conditions of service for the delivery of Power Supply Service or Energy Service to a Customer, procured by an Alternative Electric Supplier and supplied by a Marketer. Such Power shall be initially received at a designated Transmission Point of Receipt and ultimately delivered to the Customer through the DTE Electric Distribution System. This Rider also sets forth the rates and charges for services unique to customers taking Retail Access Service.

E2.2 Power Supply Service or Energy Service received by ITC for delivery to the Customer shall be transmitted across the ITC Transmission System to the DTE Electric Distribution System in accordance with the rates, terms and conditions of service of the Midcontinent ISO Tariff.

E2.3 A Customer's eligibility to take retail access service is subject to the full satisfaction of any terms or conditions imposed by pre-existing contracts or tariffs with DTE Electric. Rider No. 2 agreements between the Customer and DTE Electric will remain in effect during service under this Rider. Rider No. 4 - "Resale of Service" is also available under this Rider.

E2.4 A Customer will specify only one Alternative Electric Supplier (and the Alternative Electric Supplier shall specify only one Marketer) at any given time for the supply of Power Supply Service or Energy Service to each Customer account or Customer Location.

E2.5 DTE Electric shall be required to complete all retail access enrollment activities required to place a Customer in "site-ready" status within 10 calendar days:

A This deadline does not require that Customers actually commence service within the specified timeframe; only that DTE Electric has completed all activities required of it to place the Customer in "site-ready" status.

Customers shall be permitted to change Alternative Electric Suppliers. The changes will become effective at the completion of their normal billing cycle. Customers will be assessed a \$5 processing charge per account for each change. The change will be submitted to DTE Electric electronically by the Customer's new Alternative Electric Supplier as a new enrollment.

E2.6 Metering

- A All load served under this Rider shall be metered. The meter type shall be that which is appropriate to meter the customer's Power Supply requirements under the otherwise applicable rate schedule.
- B Metering equipment for Customers taking retail access service shall be furnished, installed, read, maintained and owned by DTE Electric.
- C Customers who desire to expand load at their facility, where expand means to connect new load through an existing meter, but are not eligible to expand the retail access service load at their facility above the Cap on Choice Participation in accordance with the procedures adopted by the MPSC in Case No. U-15801 on September 29, 2009, must install separate metering, at their expense, in order to measure and bill the Full Service portion of their facility load. The separate metering requirement will be waived if the installation of separate metering is impractical. Under this waiver, both retail access and Full Service loads will be estimated based on the metered load of the facility.

E2.6.1 Multiple Meters at Non-Residential Locations

- A Existing groupings of multiple meters into accounts at a location will be maintained in setting up new retail access accounts.
- B When multiple Advanced Electric Meters are used within a single voltage level, Maximum Demand at that voltage level will be established by the highest coincident demand recorded for those meters.

E2.6.2 Multiple Meters at Residential Locations

Existing groupings of multiple meters into accounts at a location will be maintained in setting up new retail access accounts.

E2.7 Meter Reading

- A All Customers with Advanced Electric Meters shall have meter reading accomplished through a secure communication network to provide DTE Electric the metering data necessary to bill the customer and conform to required metering accuracy. The Alternative Electric Supplier shall have direct access to meter data through the same means as DTE Electric, once the Customer is enrolled, without any further documentation or permission from the Customer.
- B The switch of a Customer's account from one supplier to another will normally take place on the scheduled meter reading date for that Customer (the Effective Date) and be based on the reading made that same day. If an actual meter reading is not made on the Effective Date, DTE Electric will read the meter within five (5) business days of the date in which DTE Electric determines that the scheduled actual meter reading has not occurred. The meter reading on the Effective Date will be determined on a pro rated basis based on the actual meter reading. DTE Electric's failure to read meters in the time frames noted, through no fault of the Customer, shall not result in penalties of any type to the Customer. Except for actions outside the scope of DTE Electric's control and storms or other events or occurrences that render the reading of meters physically impossible, customer's bills for DTE Electric distribution services will be reduced by 1/30 for each day DTE Electric meter reads are late past a three day grace period.

E2.8 Meter Errors

Billing where metering errors and malfunctions have taken place shall be performed as follows:

- A For Customers without Advanced Electric Meters where metered data is not available due to metering errors, malfunctions, or otherwise, the usage will be estimated using the procedures approved by the MPSC in Case No. U-14523 on August 4, 2005.
- B For Customers with Advanced Electric Meters where metered data is not available due to metering errors, malfunctions, or otherwise, the usage will be estimated using the available historical data for the Customer.
- C Where incorrect billing results from calculation error discovered by either DTE Electric, the Alternative Electric Supplier, or the Customer, the error will be corrected and revised bills for the Customer and the Alternative Electric Supplier will be calculated and settled on the next billing period after the error is discovered. Billing errors discovered by DTE Electric shall be adjusted as provided for in the Residential, Commercial, and Industrial Billing Rules.
- D Liability for meter or calculation errors or malfunctions shall be assigned or apportioned to the appropriate party based on fault.

E3 CHARACTER OF SERVICE

E3.1 DTE Electric furnishes alternating current service at a nominal frequency of 60 hertz 24 hours a day, subject to interruption by tariff, by agreement, by advance notice, by accident or by other causes not under the reasonable control of DTE Electric.

E3.2 For Single-Phase Distribution Service, DTE Electric provides service at differing voltages available in differing configurations within its service territory. These include, but are not limited to, single-phase secondary alternating current service at 120/240 volts. In some districts current is supplied from a Y-connected secondary network at 208Y/120 volts. Customers who are considering locating new load or who are considering adding load at an existing Location should contact DTE Electric to determine what service is available at a particular Location to serve their Load.

E3.3 For Three-Phase Distribution Service, DTE Electric provides service at differing voltages available in differing configurations within its service territory. These include, but are not limited to, alternating current, three-phase service at nominal 4,800, 13,200, 24,000, 41,570 or 120,000 volts which may be transformed to lower voltages through DTE Electric-owned transformation equipment. Where three-phase service is supplied at 480Y/277 volts through DTE Electric-owned transformation equipment, the Customer must furnish any transformation for the supply of its 120/240 volt requirements. Customers who are considering locating new load or who are considering adding load at an existing Location should contact DTE Electric to determine what service is available at a particular Location to serve their Load.

E4 TERM, COMMENCEMENT OF SERVICE AND RETURN TO FULL SERVICE

E4.1 .1.1 Retail Access Service For Non-Residential Customers

Retail Access Service shall have a minimum term of two years subject to the provisions of Section E5.3. Upon completion of the initial term, retail access service shall continue on a month to month basis until terminated by the Alternative Electric Supplier, the Customer or DTE Electric.

The Alternative Electric Supplier may terminate Retail Access Service by submitting an electronic drop request.

The Customer may initiate termination of Retail Access Service by notifying their Alternative Electric Supplier, by notifying DTE Electric in writing, or by contacting the Electric Choice Customer Center.

Termination of Retail Access Service will not be less than one (1) business day before the next scheduled meter reading date. The effective date for termination of Retail Access Service shall be

the next scheduled meter reading date occurring not less than one (1) business day after the submission of the termination request to DTE Electric.

When more than 10% of the customer load in kWh for any of the three rate classes – residential, commercial, and industrial – is taking open access service, customers in that class must provide 60 days written notice.

If an Alternative Electric Supplier defaults, a Customer who returns to full service before the 30 or 60 days elapse shall pay the higher of the tariff rate or market based rate until DTE Electric has received the benefit of 30 or 60 days notice, at which time the customer may elect to remain on full service for 12 months and pay tariff rates as provided for in Section E5.3. All other customers who fail to give less than 30 or 60 days notice are subject to DTE Electric's ability to supply their requirements.

The terms of service associated with any previously contracted or newly initiated service are specified below:

Retail access service provided to new locations served by DTE Electric shall be for an initial minimum term of five years over which time the minimum charges shall apply. Contributions in Aid of Construction for distribution facilities will be per tariff rate.

Service provided to existing locations shall be for the unexpired portion of any existing contract but not less than a term of one year over which time the minimum charges shall apply.

After the expiration of the contract minimum term for Retail Access Service, the contract shall be extended thereafter, from month-to-month.

Minimum charges shall be adjusted each year to recognize actual demand.

Beginning June 1, 2018 all ROA customers may be subject to a State Reliability Mechanism Capacity Charge. This charge shall not apply to ROA customers for any planning year in which their Alternative Electric Supplier can demonstrate to the Commission that it can meet its capacity obligations.

If a state reliability mechanism capacity charge is required to be paid in the planning year beginning June 1, 2018, or any of the three subsequent planning years, due to the Alternative Electric Supplier not meeting its capacity obligations, then the capacity charge is applicable for each of those planning years. Any capacity charge required to be paid any time after the first initial four year period shall be applicable for a single year. The planning year is defined as being June 1 through the following May 31 of each year. The capacity charge paid by ROA customers will be the same amount as a Full Service Customer.

E5.1.2 Retail Access Service For Residential Customers

A Retail Access residential Customer shall commence Retail Access residential service in accordance with their billing cycle and shall be required to remain on Retail Access Service for a minimum of one full billing cycle. Upon notice of termination of Retail Access Service as specified in Section E5.1.1, a Retail Access Customer taking Retail Access residential service may return to Company Full Service in accordance with their next bill cycle. A Retail Access Customer who returns to Company Full Service must remain on Company Full Service for a minimum of one year from the date of their return to Company Full service.

Beginning June 1, 2018 all ROA customers may be subject to a State Reliability Mechanism Capacity Charge. This charge shall not apply to ROA customers for any planning year in which their Alternative Electric Supplier can demonstrate to the Commission that it can meet its capacity obligations.

If a capacity charge is required to be paid in the planning year beginning June 1, 2018, or any of the three subsequent planning years, due to the Alternative Electric Supplier not meeting its capacity obligations, then the capacity charge is applicable for each of those planning years. Any capacity charge required to be paid any time after the first initial fouryear period shall be applicable for a single year. The planning year is defined as being June 1 through the following May 31 of each year. The capacity charge paid by ROA customrs will be the same amount as a Full Service Customer.

E5.2 Commencement of Service

E5.2.1 Retail access service shall be initiated by a Customer choosing an Alternative Electric Supplier and the subsequent submission of an electronic enrollment by the Alternative Electric Supplier on behalf of the customer in a manner specified by DTE Electric. Alternative Electric Supplier submission of the enrollment warrants that a valid contract with the prospective customer exists. DTE Electric shall be required to complete all open access enrollment activities required of it to get the enrollment to "site-ready" status within the timeframes specified in Section E2.5.

E4.1.2 Retail access service may not commence until metering has been installed as specified in this Rider or agreements related thereto and:

MISO has received from the Marketer an executed Transmission Service Agreement.

In addition, DTE Electric must have received from the Alternative Electric Supplier:

- (i) the Alternative Electric Supplier's warranty, that the Alternative Electric Supplier has obtained all necessary approvals authorizing the Alternative Electric Supplier to conduct business at each Location to be served, and
- (ii) the Alternative Electric Supplier's warranty, that each enrollment submitted is in full compliance with requirements for enrollment, and is backed by proper authorization from the Customer allowing the Alternative Electric Supplier to enroll the Customer in retail access.

E4.2 Return to Full Service

A In addition to the notice of termination provided in Section E5.1, a Customer shall provide DTE Electric with written notice no later than December 1st if the Customer will be taking full service from DTE Electric during the following summer. For this purpose, "summer" means DTE Electric regularly scheduled billing periods beginning June 1st through September 30th. Customers who so notify DTE Electric shall be obligated to take full service from DTE Electric for twelve months and pay for such service at any tariff rate for which the customer qualifies..

If a Customer does not provide DTE Electric with written notice prior to December 1st and then takes full service from DTE Electric during the following summer, the Customer shall pay DTE Electric the higher of (a) the applicable tariff energy prices plus 10% or (b) the Market Priced Power charges plus 10% until such time as the minimum two year commitment to retail open access service has been met and the December 1st written notice requirement has been met.

Subject to the notice provisions of Section E4.2.1, Customers that discontinue retail access service may return to DTE Electric Full Service under the following conditions:

E5(i) Option 1 -- 12 Month Service Commitment

If the Customer commits to DTE Electric Full Service for a minimum of 12 months, then the Customer may take service under any tariff rate for which the Customer qualifies. Any returning Customer that commits to remain on full service for the subsequent 12 months and then fails to do so will be back billed for the higher of the tariff rate or market-based rate.

(ii) Option 2 -- Short-Term Service

If the Customer chooses not to commit to DTE Electric Full Service for a minimum of 12 months, then the Customer may take service under any tariff rate for which the Customer qualifies, with the tariff rate modified as follows:

The Power Supply Cost Recovery component, both base and adjustment factor, in any and all energy prices of the tariff, shall be subtracted from the energy prices and the Market Priced Power charge shall be added to the energy prices. The Market Priced Power charge shall reflect the current market value of energy, shall be based on visible indexes of electricity market prices plus reasonable charges for transmission and losses, and shall be calculated according to methods approved by the Commission. The Customer shall be billed the higher of the applicable tariff energy prices or the Market Priced Power charge.

The Customer may at any time return to retail access service or agree to take DTE Electric Full Service for a minimum of 12 months.

(iii) Unless otherwise provided for and subject to other conditions in this Rider, a Customer may return to DTE Electric Full Service under the provisions of Section E5.3 and subsequently go back to retail access service no more than once in any month.

E6 Billing and Payment

E5.1 DTE Electric will bill the Customer for retail access service at the rates and charges outlined in Section E7.

E5.2 The Customer shall pay DTE Electric the amount billed on or before a due date established by Billing Rules approved by the Commission in cases U-10661 and U-11397. A late payment charge of 2%, not compounded, of the unpaid balance, net of taxes, shall be added to any bill which is delinquent and not in dispute.

E5.3 The Customer shall retain the right to direct DTE Electric to send the monthly bill to any third party, including the Alternative Electric Supplier.

E5.4 Disconnection for Non-Payment

Customers will be subject to disconnection for non-payment of DTE Electric charges that are not in dispute, in accordance with the rules described in DTE Electric's Rules and Regulations, Section B4.

E6 DISTRIBUTION CONTRACT CAPACITY

E6.1 All Customers requiring an Advanced Electric Meter shall contract for an amount of capacity sufficient to meet the maximum requirements of all Load connected to the DTE Electric Distribution System at the Customer's Location. The Distribution Contract Capacity will initially be set at the greater of: 1) the previously established Contract Capacity; 2) the previously established Distribution Contract Capacity; 3) the highest 30-minute integrated demand created during the previous 12 billing months at each voltage level (whether the Customer received service under this Rider or a DTE Electric retail tariff or contract), for each Location. Any single 30-minute integrated reading of the Advanced Electric Meter in any month that exceeds the Distribution Contract Capacity then in effect shall become the new Distribution Contract Capacity. Customers not having

previously established service requirements shall contract with DTE Electric for a specified Distribution Contract Capacity in kW sufficient to meet the maximum requirements for each location.

E6.2 DTE Electric will provide the necessary facilities to deliver electric power from its Distribution System at the Distribution Contract Capacity. Any incremental cost incurred by DTE Electric to provide the necessary facilities to meet the Customer's increased demand for distribution services over the Distribution Contract Capacity existing when service commences under this Rider shall be the responsibility of the Customer. Once established, the Distribution Contract Capacity shall not decrease during the contract term unless there is a specific permanent reduction in connected load.

E7 RATES AND CHARGES

Rates and charges for delivery are stated in the customer's applicable tariff

E7.1 Optional Advanced Electric Metered Service

The Optional Advanced Electric Metered Service is no longer available

E8 OTHER PROVISIONS

E8.1 Retail Access Customers will be subject to the relevant curtailment procedure contained in DTE Electric's electrical Procedures, Section C3. DTE Electric shall give Retail Access Customers the same priorities in curtailment situations as it gives Full Service Customers.

E8.2 All Points of Receipt for Power produced within the DTE Electric retail service territory for delivery to Customers within that territory shall be considered as being points located on the ITC Transmission System.

E8.3 All electric generation equipment connected in parallel with the DTE Electric system must comply with the DTE Electric Protective Relaying, Operating and Telemetry Guidelines for Independently Owned Generation and before operating such equipment must obtain certification, in writing, from DTE Electric that the conditions outlined in the guidelines have been met.

E8.4 Customer equipment must be operated so that voltage flicker and harmonics on the DTE Electric Distribution System shall not exceed permissible limits established by DTE Electric and by IEEE Standard 519, respectively. Failure to comply with this requirement may result in discontinuance of service to the Customer and disconnection of Customer's Load from the DTE Electric system.

E8.5 Redundant services requested by the Customer may be provided under separate agreement.

E8.6 DTE Electric's Rules and Regulations as currently in effect are incorporated by reference into this Rider to the extent applicable and, Rule C-2.2(2) notwithstanding, only to the extent not inconsistent with the terms of this Rider.

E9 ALTERNATIVE ELECTRIC SUPPLIER

E9.1 This Rider section outlines the rights and responsibilities of Alternative Electric suppliers and DTE Electric when enrolling and serving Customers under retail access service. The Alternative Electric Supplier is the retail seller of Power Supply Service or Energy Service to the Customer on DTE Electric's Distribution System.

E9.2 If an Alternative Electric Supplier or Marketer fails to pay amounts due DTE Electric or otherwise fails to perform obligations undertaken in connection with service to a Customer, DTE Electric will give the Customer notice of the Alternative Electric Supplier's or Marketer's default. If the Customer, its Alternative Electric Supplier, or its Marketer fails to pay amounts due DTE Electric or otherwise fails to comply with the provisions of the applicable Tariffs or agreements with DTE Electric, retail access service may be

terminated. Unless the Customer, Alternative Electric Supplier or Marketer cures the default with DTE Electric or the Customer changes its Alternative Electric Supplier, the Customer may be returned to DTE Electric Full Service subject to the provisions of Section E4.2.

E9.3 The Alternative Electric Supplier is responsible for all of the Alternative Electric Supplier charges associated with its Customers until retail access service is terminated.

E9.4 Termination of retail access service to a Customer can be initiated by the Alternative Electric Supplier, the Customer or DTE Electric. Alternative Electric Suppliers and DTE Electric shall comply with the billing rules that govern the shut off of service, R 460.1624 et seq. and R 460.136 et seq. except that instead of providing a notice of termination, Alternative Electric Suppliers shall provide a notice of return to Full Service.

E10 CREDITWORTHINESS

There is no creditworthiness requirement for Alternative Electric Supplier's unless the Alternative Electric Supplier is purchasing products or services from DTE Electric. Alternative Electric Suppliers who purchase products or services from DTE Electric must demonstrate and maintain current creditworthiness in an amount sufficient to cover anticipated charges for all those products or services. For unsecured credit, the Alternative Electric Supplier must provide three (3) years of audited financial statements, including notes, having an acceptable amount of positive tangible net worth, and meeting risk parameters derived from an analysis of its financial statements. The Alternative Electric Supplier may provide alternative security or credit enhancement, such as a letter of guarantee, letter of credit or prepayment. DTE Electric will use reasonable credit review procedures which may include, but are not limited to, review of the Alternative Electric Supplier's financial statements, verification that the Alternative Electric Supplier is not operating under state or federal bankruptcy laws, and has no pending lawsuits or regulatory proceedings or judgments outstanding which would have a material adverse effect on the Alternative Electric Supplier and its ability to perform its obligations. Affiliates of DTE Electric must meet these same creditworthiness requirements.

The amount of creditworthiness required is equivalent to two months expected exposure.

Following 24 months of full and timely payment to DTE Electric for service provided, an Alternative Electric Supplier shall be deemed to have sufficient credit to satisfy DTE Electric's requirements.

E11 ELECTRONIC BUSINESS TRANSACTIONS

E11.1 Unless specified otherwise by DTE Electric in a Commission-approved tariff, Alternative Electric Suppliers shall transact all business with DTE Electric electronically.

E11.2 Unless otherwise specified by DTE Electric in a Commission-approved tariff, all payments made to DTE Electric by the Alternative Electric Supplier will be made by electronic funds transfer to the DTE Electric account.

E12 CONDITIONS PRECEDENT TO CUSTOMER ENROLLMENT

The Alternative Electric Supplier will not be eligible to enroll Customers unless and until the following conditions precedent have been satisfied and continue to be satisfied:

E12.1 The Alternative Electric Supplier has been granted a license by the Commission.

E12.2 The Alternative Electric Supplier has demonstrated electronic communication and commerce capability when purchasing products or services from DTE Electric, which meets DTE Electric's standards and protocols as defined in tariffs approved by the Commission.

E12.3 The Alternative Electric Supplier has an executed contract with a qualified Marketer, as evidenced in an executed Alternative Electric Supplier-Marketer Notice.

E13 CONDITIONS PRECEDENT FOR SERVING CUSTOMERS

The Alternative Electric Supplier will not be permitted to serve or continue to serve Customers unless and until the following conditions precedent have been satisfied and maintained:

E13.1 The Alternative Electric Supplier has satisfied and continues to satisfy all conditions in Section E13.

E13.2 All required Customer metering equipment is in place and functioning properly.

E13.3 The Alternative Electric Supplier has complied with and continues to comply with all provisions of this Rider.

E14 RATES AND CHARGES

E14.1 The Alternative Electric Supplier shall pay DTE Electric the following:

- A An Alternative Electric Supplier enrolling Customer(s) with the Complete Billing option shall pay DTE Electric a one-time charge of \$6,600 for the Alternative Electric Supplier's initial rate-ready schedule set-up for up to sixty rates, regardless of the number of Customers electing this option.
- B An Alternative Electric Supplier enrolling Customer(s) with the Complete Billing option shall pay DTE Electric a monthly transaction charge equal to the United States Postal Service first-class mail letter rate, weight not over one ounce, for each customer account billed under the Complete Billing option.
- C An Alternative Electric Supplier enrolling Customer(s) with the Complete Billing option shall pay DTE Electric \$1,300 per occurrence for each change request made by the Alternative Electric Supplier to its rate-ready schedule, regardless of the number of changes in the request or the number of Customers affected.
- D Any other charges to the Alternative Electric Supplier for services provided by DTE Electric will be negotiated on an individual case basis.

E14.2 DTE Electric will provide two (2) Customer Billing options-Complete Billing by DTE Electric and Separate Billing by DTE Electric and the Alternative Electric Supplier. It is the responsibility of the Alternative Electric Supplier to identify on the Customer Enrollment Form which of these options the Customer has requested.

E14.3 Allocation of Partial Payments Under Complete Billing

In the event the Customer submits a partial payment, the receipts will be applied as follows:

- First, all deposit balances to DTE Electric and DTE Gas Company ("DTE Gas");
- Second, all past due and current balances for regulated services, e.g. electric Full Service, electric distribution service, natural gas services (including Gas Choice), fees, late payment charges, etc., to DTE Electric and DTE Gas;
- Third, all past due and current balances for non-regulated services, e.g. appliance service program, to DTE Electric and DTE Gas; and
- Finally, all past due and current charges pertaining to the Complete Billing option to the Alternative Electric Supplier.

Partial payments resulting from disputed charges shall be allocated first to undisputed charges in each of the above four categories and then to disputed charges in each of the above four categories.

14.4 DTE Electric will not pursue collection actions for any Alternative Electric Supplier.

E15 DISPUTE RESOLUTION

E15.1 DTE Electric will have no duty or obligation to resolve any complaints or disputes between or among Alternative Electric Suppliers and Marketers or any combination thereof, related to but not limited to switching Alternative Electric Suppliers, switching Marketers, termination of retail access service, Customer enrollment or Customer billing options.

E15.2 In the event of a dispute between DTE Electric and an Alternative Electric Supplier, including but not limited to “Events of Default,” the Parties may attempt, in good faith, to resolve the dispute amicably and promptly. If the dispute is not resolved in five (5) business days, the Parties may attempt to resolve the dispute by promptly appointing a senior representative of each Party to attempt to mutually agree upon a resolution. The two senior members shall meet within ten (10) business days. If the two senior representatives cannot reach a resolution within a 30-day period, the dispute may, on demand of either Party, be submitted to arbitration as provided in this section.

E15.3 The dispute will be submitted for resolution in accordance with the American Arbitration Association (“AAA”) Commercial Arbitration Rules. The judgment rendered by the arbitrator may be enforced in any court having jurisdiction of the subject matter and the Parties.

E15.4 If the parties are unable to agree on an arbitrator, the arbitrator shall be determined by AAA.

E15.5 The findings and award of the arbitrator shall be final and conclusive and shall be binding upon the Parties, except as otherwise provided by law. Any award shall specify the manner and extent of the division of the costs between the Parties.

E15.6 Nothing in this Section shall restrict the rights of either Party to file a formal complaint with an appropriate regulatory agency regarding any issue the adjudication of which lies within the exclusive jurisdiction of the regulatory agency.

E16 CUSTOMER PROTECTION

E16.1 Alternative Electric Suppliers shall warrant that the Customer has duly authorized the submitted enrollment and the Alternative Electric Supplier has complied with the provisions of 2000 P.A. 141 or any applicable commission rules developed pursuant to 2000 P.A. 141 to prevent slamming.

E16.2 The maximum early termination fee for residential contracts of one year or less shall not exceed \$50. The maximum early termination fee for residential contracts of longer than one year shall not exceed \$100.

E16.3 It is the Alternative Electric Suppliers responsibility to have a current valid contract with the customer at all times. Any contract that is not signed by the customer or Legally Authorized Person shall be considered null and void. Only the customer account holder or Legally Authorized Person shall be permitted to sign a contract. An Alternative Electric Supplier and its agent shall make reasonable inquiries to confirm that the individual signing the contract is a Legally Authorized Person. For each customer, an Alternative Electric Supplier must be able to demonstrate that a customer has made a knowing selection of the Alternative Electric Supplier by at least one of the following verification records:

- 1) An original signature from the customer account holder or Legally Authorized Person.
- 2) Independent third party verification with an audio recording of the entire verification call.
- 3) An e-mail address if signed up through the Internet.

The Commission or its Staff may request a reasonable number of records from an Alternative Electric Supplier to verify compliance with this customer verification provision, and in addition, may request records for any customer due to a dispute.

E16.4 An Alternative Electric Supplier must distribute a confirmation letter to residential customers by U.S. mail. The confirmation letter must be postmarked within seven (7) days of the customer or Legally Authorized Person signing a contract with the Alternative Electric Supplier. The confirmation letter must include the date the letter was sent, the date the contract was signed, the term of the contract with end date, the fixed or variable rate charged, the unconditional cancellation period, any early termination fee, the Alternative Electric Supplier's phone number, the Commission's toll-free number and DTE Electric's emergency contact information.

E16.5 DTE Electric provides Residential Customers with pending enrollments with an Alternative Electric Supplier, a 14-day notice period in which the Customer may cancel the enrollment before the switch is executed. If the Customer challenges the enrollment the switch transaction is cancelled, the affected Alternative Electric Supplier(s) are notified, and the enrolling Alternative Electric Supplier shall be assessed the \$5 switching fee instead of the Customer. If the Customer cancels an enrollment in error, the enrolling Alternative Electric Supplier's remedy is to discuss the situation with the Customer and submit a new enrollment.

Commercial and Industrial ROA Customers' right to cancel an enrollment shall be in accordance with the terms of their contract with their Alternative Electric Supplier(s).

E16.6 A supplier must allow the Staff of the Commission an opportunity to review and comment on its residential contract(s) and residential marketing material at least five business days before the Supplier intends to use these contract(s) and marketing material in the marketplace.

MARKETER SECTION

E17 REAL POWER LOSSES

The Marketer used by the Alternative Electric Supplier is responsible for replacing losses associated with the delivery of power to the Customer's meter. The amount of Power delivered by DTE Electric on the DTE Electric Distribution System to the Customer's meter shall be adjusted using the following real power loss factors for distribution service:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Secondary	10.88%	11.95%	12.01%	10.23%
4.8/13.2 kV	6.61%	7.13%	7.37%	6.31%
24kV/41.6 kV	1.86%	2.09%	2.34%	1.90%
120 kV and above	0.55%	0.57%	0.57%	0.55%

Marketers must schedule and supply an amount of Power equal to its Customers' hourly usage x $\sqrt{1 + D\%}$ to account for losses on the DTE Electric Distribution System, where D% is the applicable loss factor from the table above.

E18 HOURLY USAGE DATA TO SUPPORT MISO SETTLEMENT

E18.1 Meter Data Management Agent

At the option of the Marketer, DTE Electric will act as their Meter Data Management Agent (MDMA) for their customer loads within DTE Electric's service area. The Marketer is under no obligation to take this service from DTE Electric.

E18.2 Hourly Usage Data for Customers With Advanced Electric or AMI Meter Reads

Hourly usage will be the customer's actual measured usage for each hour increment as recorded by the Advanced Electric or AMI meter.

E18.3 Hourly Usage Data for Customers Without Advanced Electric or AMI Meter Reads

Hourly usage data for customers without Advanced Electric or AMI meter reads will be determined through the use of CPNode profiles. For each CPNode, profiles are developed based on 12 months of historical hourly usage and temperature data to determine the load in kWh for every MW of enrolled capacity.

Residential customers electing to opt out of AMI metering installation will have profiled data used for MISO energy market settlement.